Few silver linings

How Europe's business leaders see the future

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Europe's Business Newspaper — MONDAY MARCH 1 1993 — D8523A

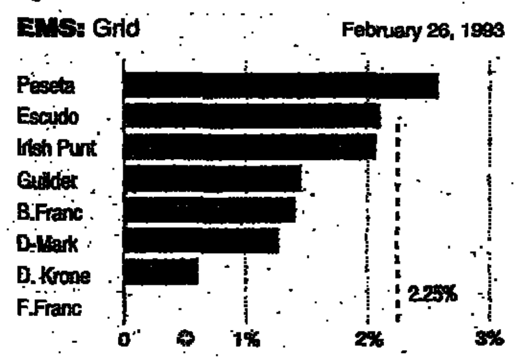
India's budget package ends economic squeeze

India unveiled a wide-ranging package of reforms designed to integrate the country further into the global economy, including full flotation of the rupee on foreign exchange markets. Manmohan Singh, the finance minister, announced the measures during his annual budget speech. He also signalled an end to the tough economic squeeze which he put in place in July 1991, and the start of a strong push for export-led growth. Page 14; Letting the economy go, Page 5

Bosnia food drops 'worth risk': US secretary of state Warren Christopher said air-dropping relief supplies into Bosnia was "a risk well worth taking", but Washington's allies and United Nations troops on the ground remained sceptical. Page 14; Allies doubts persist, Page 2

Lonrho, international trading group, is in talks with Gencor, South Africa's biggest mining house, about a cash raising exercise which could see its shareholding in Western Platinum reduced to 51 per cent as part of the group's strategy of reducing debt by selling stakes in core businesses. Page 15

European monetary system: The French franc is lingering at the bottom of the European exchange rate mechanism grid despite expectations of a cut in German interest rates. Towards the end of last week, the franc's divergence from its central rate against the Ecu dropped to minus 43 percentage points. The peseta remains at the top of the ERM grid, helped by the Bank of Spain's intervention throughout the week. Currencies, Page 27



The chart shows the member currencies of the exchange rate mechanism measured against the weakest currency in the EMS's narrow 2.25 per cent fluctuation band. In practice, currencies in the narrow band cannot rise more than 2.25 per cent from the weakest currency in that part of the system. The Spanish peseta and Portuguese escudo operate with 6 per cent fluctuation bands.

France bucks trend: Foreign direct investment in France grew strongly in the first six months of last year, making France the exception among member countries of the Organisation for Economic Co-operation and Development. Page 2

South Africa trade drive: China is to open its first trade fair in South Africa next month – a move which could bring formal diplomatic relations with Pretoria closer. Page 6

Uni Storebrand: Norway's finance ministry has been criticised by a government-appointed commission for failing to prevent the disastrous raid by Uni Storebrand, the country's biggest insurer, on its Swedish rival Skandia. Page 17

Sales lift South Korean electronics: South Korea's four main electronics companies all reported growth in turnover and profits for 1992 because of higher sales of semiconductors and increased exports of consumer electronics. Page 17

Concessions on deportees: The US expects further concessions soon from Israel on the difficult issue of the fate of the 400 Palestinian deportees, Warren Christopher, the secretary of state, said. Page 6

German states cash plan: The 16 federal states in Germany have agreed a common plan to finance the soaring costs of unification. Page 3

Chancellor confident: Britain will show faster growth this year than the European economy as a whole, according to Norman Lamont, the UK chancellor. Page 4

Brazil ultimatum: Brazil's President Itamar Franco has issued an ultimatum to his economy minister to bring down inflation within the next three months. Page 4

Trade deficit climbs: Mexico's trade deficit climbed to $20.6bn last year, an 85 per cent increase over 1991. Page 4

Kabul rocket attack: Rockets and shells ploughed into homes and a busy bazaar in Kabul yesterday, killing more than 60 people and injuring 100 a day before planned peace talks between rival Afghan leaders in neighbouring Pakistan. Page 6

10 die in train bombing: A bomb exploded on an Azeri train in the breakaway south Russian region of Chechnya, killing 10 and injuring 15 in an attack believed to be linked to a conflict over control of the territory of Nagorno-Karabakh.

Soldiers killed in crash: Two British soldiers serving in Cyprus died when their car overturned.

Tanker aground: An empty Danish-owned oil tanker ran aground off Redcar, northeast England, after breaking its mooring chains in strong winds and heavy seas.

Lillian Gish dies: Actress Lillian Gish died in New York, aged 99.

Austria	Sch30	Greece	Dr300	Lux	LFr60	Qatar	QR12.00
Bahrain	Din1.250	Hungary	Ft172	Malta	Lm0.60	S.Arabia	SR11
Belgium	BFr60	Iceland	IKr180	Morocco	MDh13	Singapore	S$4.10
Bulgaria	Lw25.00	India	Rs40	Neth	Fl 3.75	Slovak Rp	Kcs45
Cyprus	C£1.00	Indonesia	Rp3800	Nigeria	Naira25	Spain	Pta200
Czech Rp	Kcs45	Israel	Shk5.90	Norway	NKr16.00	Sweden	SKr16
Denmark	DKr15	Italy	L2700	Oman	OR1.50	Switz	SFr3.20
Egypt	E£4.50	Jordan	JD1.50	Pakistan	Rs35	Syria	S£50.00
Finland	FM12	Korea	Won 2500	Philippines	Pso45	Thailand	Bht50
France	FFr8.50	Kuwait	Fils 600	Poland	Zl 22,000	Tunisia	Din1.250
Germany	DM3.30	Lebanon	US$1.25	Portugal	Es215	Turkey	L7000
						UAE	Dh11.00

Concern mounts over rising unemployment and recession in Europe

Bundesbank sees rates easing

By Peter Norman and Peter Marsh in London

GERMANY'S benchmark short term interest rates are set to decline but the fall will do little to assuage a mounting wave of concern about the European economy among business leaders and finance ministers.

As politicians and company chiefs around Europe warn of rising unemployment and spreading recession on the European continent Mr Helmut Schlesinger, the Bundesbank president, forecast a decline in German money market rates which currently stand at 8.5 per cent.

Speaking after a meeting in London on Saturday of finance ministers from the Group of Seven countries, Mr Schlesinger said that a reduction from today of DM32bn ($19.2bn) in the minimum reserves which German banks have to hold in non-interest bearing accounts at the Bundesbank should prompt a slight fall in German money market interest rates.

However Mr Schlesinger gave no hint about whether the Bundesbank might lower its official discount and lombard rates. The Bundesbank's decision-making council will next meet on Thursday.

But his remarks indicated a more relaxed attitude to falling interest rates than before. They were the nearest that any participant came to encouraging hope of additional action to revive the world economy at the meeting of ministers and central bank governors from the US, Japan, Germany, France, Britain, Italy and Canada.

Hopes that the G7 might develop a common approach to world economic problems by July's Tokyo world economic summit could not conceal widespread gloom about the global economy and frustration in the US, Britain and France that Germany and Japan were not doing more to encourage growth.

A Financial Times survey suggests that top business leaders in continental Europe are deeply gloomy about their prospects, with some likening conditions to the first oil-shock of the early 1970s.

"Consumer confidence is in free fall," says Mr David Herman, chairman of Adam Opel, the German arm of General Motors.

Mr Jean-René Fourtou, chairman of Rhône-Poulenc, France's biggest chemicals group said: "The state of the European economy is worse even than during the 1973 oil-shock. I don't expect it to improve until 1994 at the earliest."

Mr Norbert Walter, chief economist at Deutsche Bank in Frankfurt, said the western German economy is heading for a crash landing, dragged down by tumbling industrial production, high unemployment and "inappropriate" government policies.

In an interview with the Financial Times today, he forecasts a fall of up to 2 per cent in west Germany's gross domestic product this year, bringing the pan-German unemployment total to more than 4m by next January.

Mr Theo Waigel, the German finance minister, warned that unemployment in Germany would rise by between 200,000 and 300,000 this year.

Mr Michel Sapin the French finance minister, said the slowdown in Germany was "of particular concern" and warned of a need for "deepened international co-ordination" of economic policymaking. Both Mr Sapin and Mr Norman Lamont, UK chancellor, said they would like to see German interest rates fall, but – like other G7 participants – indicated they had refrained from putting pressure on the Bundesbank to achieve this.

Participants unanimously praised president Bill Clinton's plan to reduce the US budget deficit and his support for the open world trading system. All G7 ministers agreed that their informal meeting provided a good basis for further co-operation. The ministers took no decisions, issued no communiqué and came

Continued on Page 14
Norbert Walter interview, Page 3

New York blast may cost city billions

By Nikki Tait in New York and Agencies

THE blast which rocked Manhattan's World Trade Center in New York on Friday could cost the city billions of dollars because thousands of traders based in the twin towers will be unable to get back into their offices today.

And there is concern that world oil prices could be affected by any disruption to futures trading on the New York Mercantile Exchange. Nymex, which is based in offices next to the twin towers, said yesterday it would be opening for business, although it was not clear how badly disrupted trading throughout the complex would be.

Insurance analysts described the closure of the towers as a "catastrophe."

"We already know this is going to exceed the definition of a catastrophe, there is no question about that," Mr Ronald Krauss of the American Insurance Association said yesterday.

The Port Authority of New York and New Jersey, which operates the complex, has closed the 110-storey twin towers for an indefinite period while repairs to the structure are made.

Some estimates suggest that the economic impact on the city, from lost business, could run to over $1bn a day. One senior Port Authority official said yesterday that it could be more than a week before the towers reopen.

Major disruption is likely for all the financial firms based in the World Trade complex. Some firms in buildings next to the towers which have not been so badly hit said yesterday they would try to operate as normal.

Some firms set up toll-free telephone numbers to update employees and customers on the fast-changing situation.

City officials announced yesterday afternoon that employees would also be allowed into some of the smaller "plaza buildings" in the seven-building WTC complex, with heightened safety procedures. This will allow the commodities exchanges, which are housed in Four World Trade Center and closed early on Friday, to function as usual. Both Nymex and the Commodity Exchange said they would be open today from their usual offices.

Yeltsin seeks peace-keeping role on borders

By John Lloyd in Moscow

PRESIDENT Boris Yeltsin told the international community yesterday that Russia must be given a free hand to act as guarantor of peace in the former Soviet bloc, possibly with special powers granted by the United Nations.

Fresh from a 12-day break at a country house near Moscow, the Russian leader said he believed "the world community is increasingly coming to understand Russia's special responsibility in this difficult task".

His country had "a heartfelt interest" in suppressing conflicts round its borders, he told an open meeting of the political council of the influential centrist Civic Union bloc.

"The moment has come when responsible international institutions, including the United Nations, should grant Russia special powers as guarantor of peace and stability in the region of the former [Soviet] Union," Mr Yeltsin said.

At the same time, he stepped up the battle at home over the division of power between president and parliament.

He warned his opponents he would no longer tolerate their blocking of constitutional and economic reform. He did not feel bound by oath to the present constitution, which is a patched up version of the old Soviet era document. "If we refuse to divide powers we will get dictatorship or anarchy," he said.

The strength of his latest call for more power for the president appears to indicate he is contemplating decisive action soon in the power struggle.

Mr Yeltsin's warning to the international community comes at a time when Western states are in despair at their inability to control the fighting in the former Yugoslavia. The Russian president appears to be assuming that major foreign states would not protest too much about Russian "peace keeping" in the former Soviet Union where there are similar nationalistic disputes.

The remarks also signal that Russia is no longer willing to accept the fiction of being one among equals in the Commonwealth of Independent States.

Russian troops are already enmeshed in fighting in Georgia and Tajikistan; holding an uneasy peace in Moldova; and in the Baltics where tension is rising between the native and Russian populations. There is tension between Russia and Ukraine, the two strongest of the former Soviet republics, over the Black Sea fleet, based in the Crimean province of Ukraine.

Jurek Martin, in Washington, writes: On the question of Russia's economic and political reform, Mr Warren Christopher, US secretary of state, yesterday offered an unqualified endorsement of US support for Mr Yeltsin, who is due to meet President Bill Clinton on April 4.

Asked in a television interview if the US was not making the mistake of investing too much in Mr Yeltsin, Mr Christopher said the Russian president's convictions in favour of "greater democracy and freedom" made him "in our estimate the best choice in Russia".

The Clinton administration is proposing increasing bilateral aid to Russia from $400m to $700m. Mr Christopher said it would be "foolish and shortsighted" for Congress to deny Russia additional aid at a time of domestic spending cuts.

An interest in peace: Russian President Boris Yeltsin (right) and vice president Alexander Rutskoi

Bleak view from Europe

'The state of the European economy is worse even than during the 1973 oil-shock,' *Jean-René Fourtou, chairman of Rhône-Poulenc.*

'Consumer confidence is in free fall,' *Mr David Herman, chairman of Adam Opel.*

'Mass unemployment will place the social and political fabric under pressure.' *Josef Ackermann, chief executive of Credit Suisse.* **PAGE 15**

Plans to widen EC merger powers meet tough opposition

By Andrew Hill and Lionel Barber in Brussels

FRANCE, Germany and the UK have joined forces to oppose any expansion of the European Commission's powers to vet large mergers, when EC rules come up for review this autumn.

The governments in Bonn, Paris and London have indicated to Brussels that they will resist moves to lower the turnover thresholds above which the EC's competition authorities automatically investigate deals affecting the EC market.

Brussels officials last week confirmed the alliance of the EC's principal anti-trust authorities, but said the Commission remained "neutral" on the matter of thresholds. At present, Brussels looks at all mergers involving companies with a combined turnover of Ecu 5bn ($4.2bn) or more.

Last December, Sir Leon Brittan, then EC competition commissioner, said existing thresholds were too high. Mr Karel van Miert, his successor, has yet to comment. But he faces strong opposition from France, Germany and the UK which see the matter as a test case for "subsidiarity" – the devolving of powers to the most appropriate national or regional authority.

Mr Michel Sapin, French finance minister, has suggested scaling back the Commission's competition powers, starting with higher thresholds for merger investigations. Paris was incensed in 1991, when the Commission blocked a Franco-Italian takeover of de Havilland, the Canadian aircraft-maker – to date the only merger rejected under the 1990 EC merger rules.

Sir Bryan Carsberg, the director-general of the Office of Fair Trading in London, is reported to view an increase in Brussels' jurisdiction as premature. Similarly, the Bundeskartellamt in Berlin believes that after only two years of operating the new rules, it is too soon to make a judgment on change. A senior Bundeskartellamt official suggested that Germany was pushing first for other reforms, specifically more open decision-making in Brussels.

The Commission is conducting a wide-ranging review of its September 1990 merger rules. Consultations with industry, lawyers and governments are likely to be wrapped up in a fortnight, at which point the Commission must decide whether to push for more powers. Under the terms of the regulation, Mr Van Miert must table any amendments by the end of the year for approval by member states.

The EC's merger task force, the special unit set up within the Commission competition directorate, has won praise for its speed and comparative efficiency in examining more than 300 cases over the past two and a half years. Takeovers of a certain size are automatically investigated for a month. Where "serious doubts" exist about their effect on competition, they are subject to a four-month inquiry.

The Commission is also examining whether to bring all joint ventures under the merger rules, and whether to allow companies to amend their deals to win approval during the preliminary inquiry.

CONTENTS

Allies still sceptical over air-drop

David White explains the need to balance effectiveness and risk

CONSULTATIONS and careful preparations for the US air-drop in eastern Bosnia have failed to disperse scepticism about the operation among Washington's allies and UN forces on the ground.

Officers with UN forces in Bosnia, frustrated at their own inability to get relief supplies through to some of the communities most in need, say it will be difficult to achieve a balance between effectiveness and risk. Military experts believe an operation of this kind can in any case be no more than a temporary measure.

The drops by four-engined C-130 Hercules aircraft are expected to made from anywhere between 5,000 and 15,000 ft, avoiding risks from small-arms fire and some kinds of anti-aircraft artillery. But although special parachutes designed for high-velocity drops will be used, accuracy cannot be assured.

The bundles, containing up to 700kg of food and medicine, may land in the wrong area or cause casualties or damage in the intended zone. Leaflets dropped over the weekend warned people to wait until the containers have landed. Unlike most operations of this type, there will be no logistics troops on the ground to receive the supplies, organise distribution and recover equipment.

UN soldiers wait at Sarajevo airport for a relief flight to their base at the Croatian city of Split

Some of the apprehensions about the dangers of the operation – and the possibility, as Serb leaders warned, that it would lead to an escalation in the conflict – have been lessened by its reduced scale.

Initial discussion of the plan, launched last month at a time when the UN High Commissioner for Refugues had suspended current aid supplies in Bosnia, pointed to an operation of greater dimensions and a more overtly military nature.

However, although the US transport aircraft flying from Germany are now due to carry out the drops without cover from carrier-based fighters, there is concern about possible US military reaction if the C-130s come under attack.

The danger is similar to that facing the aircraft ferrying relief to Sarajevo. A two-engined Italian G222 transport aircraft was shot down near the Bosnian capital last September, killing all four crew, and other aircraft have been hit by small-calibre weapons.

The threat is seen as coming not only from uncontrolled Serb forces, who may not be satisfied by assurances that the supplies do not contain arms, but also from Moslem militiamen seeking to bring the US and its allies directly into the conflict. Many Bosnian Moslems and Croats criticise the aid effort for attempting to deal with the symptoms rather than the cause of suffering.

UN forces are worried that if the US is provoked into using air power they will be exposed to direct attack. They have only limited means for defending themselves. The British army has some light artillery and locating radars waiting in reserve aboard a navy task force in the Adriatic. French forces have already moved in Mistral missiles to defend their positions in north-west Bosnia against air attack.

Any escalation involving UN forces would threaten the running of aid convoys by land, which are the only practical means of providing the large volumes required,

The US operation also raises questions about command arrangements for any future international action in former Yugoslavia. The air-drop operation is on UN authority but not directly under UN command. US military commanders favour a similar arrangement for any future US-Nato peace-keeping force.

Bosnian Croats close Moslem supply routes

By Laura Silber in Belgrade

FIGHTING was reported on several fronts in Bosnia yesterday as Moslems cut off by Serb rebels in the east waited for the US to begin an air-drop of emergency relief.

Moslem-controlled Sarajevo radio said shellfire killed one person and wounded another in the besieged Bosnian capital. Shells also landed in the city's outskirts and sniper fire was intense at times, it said.

A fresh row flared between Moslem-led Bosnian government troops and Bosnian Croats, nominal allies in the civil war, when Bosnian Croat forces announced that they were closing all supply routes between Croatia and Moslem-held territory.

Yugoslav peace talks are scheduled to resume at the United Nations today provided all the main participants show up, Reuter reports from the UN.

They are to focus on a plan and map drafted by the co-chairmen of the international conference on the former Yugoslavia, Mr Cyrus Vance, representing the UN, and Lord Owen, on behalf of the European Community.

The plan would divide embattled Bosnia-Herzegovina into 10 provinces – three with Moslems majorities, three Serb, two Croat and two mixed.

Bosnian Serb chief Radovan Karadzic was due to arrive in New York yesterday apparently satisfied he would not be impeded by a private lawsuit brought against him during his previous stay by organisations acting on behalf of two victims of alleged atrocities by Serb forces in Bosnia.

The Croatian Defence Council (HVO) accused the Bosnian government forces of deploying 25,000 troops in central Bosnia and abandoning the fighting against Serb forces. "The HVO has therefore decided to close all roads between Croatia and Bosnia for supplies of the Bosnian army," it said in a statement from Mostar, Croat military headquarters in Bosnia-Hercegovina.

In spite of promises to allow aid convoys to Moslems, Bosnian Serb forces often block or delay overland convoys. Mr Radovan Karadzic, the Bosnian Serb leader, banned a convoy of the UN High Commissioner for Refugees from going to Cerska, eastern Bosnia, which has been without any outside relief in the last 11 months. "He said the convoy would be allowed to go to Zepa, which means people would have to travel for miles and miles over the mountains, through snow and across front lines to pick up the aid," said Mr Laurens Jolles of the UNHCR Belgrade office. Western journalists were also refused permission to travel Serb-held parts of Bosnia.

● Serb forces at the weekend continued to expel Moslems from the Banja Luka region, western Bosnia. Some 2,500 Moslems, clutching all the belongings they could carry, were forced to walk to Turbe, a Bosnian-held village. UN peacekeepers and western journalists helped carry children unable to walk over the snowy hillsides.

At one point, Serb fighters reportedly fired on the queue of refugees.

France bucks trend as foreign investment rises

By Emma Tucker, Economics Staff

FOREIGN DIRECT investment in France grew strongly in the first six months of last year, making France the exception among member countries of the Organisation for Economic Co-operation and Development, which generally experienced a slowdown in direct investment inflows.

According to an OECD survey of financial market trends, strong inflows meant that foreign direct investment exceeded French investment abroad for the first time.

The OECD suggested the growth reflected a more favourable attitude to foreign investment in France because of the employment opportunities it generated, and the realisation by foreign investors that France was at the heart of the single market.

Figures for the first six months of last year confirm the generally downward trend in FDI, with the OECD reporting that Japanese direct investment abroad fell by about 16 per cent from the same period in 1991.

In the first six months of last year total direct investment inflows in OECD countries was \$32.4bn (£22.8bn), compared with \$36.6bn in the first six months of 1991. Outflows fell from \$73.6bn in the first half of 1991 to \$67.9bn in the same period last year.

Among the biggest investors, only outflows from the US registered "remarkable" growth in the first half of last year, the survey said.

Chemicals were the main target of European and US direct investment in the manufacturing sector abroad. The report found that in 1991, US investment in foreign chemical industries was \$40bn, representing 10 per cent of total US companies' assets abroad. By contrast only a few Japanese chemical groups operate globally. In Europe, chemicals constituted the bulk of German, British, French and Dutch investment abroad. A new impetus came from privatisation in east European countries where European groups took over big producers in Hungary and Czechoslovakia.

The EC received more than half US outward investment in electronics in 1991, with new US affiliates set up mainly in Germany and the UK.

The report says that over the past three years, Japanese investment in car manufacturing came to a standstill in the US as demand for cars weakened in North America and Europe. At the same time, however, Japanese investment in the European car industry – mainly Spain and the UK – doubled. France also experienced a sharp increase of FDI in the car sector, much of it coming from Sweden after a joint production arrangement between Renault and Volvo.

Overall the service sector continued to attract the biggest share of direct investment outflows from the larger OECD countries.

Financial Market Trends, OECD, Publications Service, 2, rue Andre-Pascal, 75775 Paris, Cedex 16, France.

Italians ponder Craxi immunity

By Robert Graham in Rome

THE Italian parliament this week confronts the sensitive issue of whether to waive parliamentary immunity for Mr Bettino Craxi, who was forced to step down from Socialist party leadership because of his alleged involvement in the Milan corruption scandal.

Although more than 50 deputies and senators are caught up in a series of corruption scandals, Mr Craxi is the most senior member of the politial establishment to be wanted for questioning.

The debate, scheduled for tomorrow, will reveal the extent to which parliament has the will to act quickly and tackle the increasingly complex issues raised by the nationwide investigations into political corruption. Mr Craxi is expected to use the occasion to underline the difficulties and dangers of putting the political system on trial.

The outcome is likely to have an impact on moves to find a legislative solution to limit the scope of the corruption investigations and prevent matters getting out of hand. Already the scandals have reached deep into Italy's business and political elite and more developments are expected this week.

The current areas of investigation centre on commissions paid to political parties for contracts in the power industry; reorganisation of the chemical industry in the 80s; the role of ENI, the state oil concern; the state road-building authority, Anas; EC funds for professional training improperly used; and spending for the 1990 world cup football competition

In documents submitted to parliament, Milan magistrates have listed 40 incidents of alleged corruption and receiving illicit finance for the Socialist Party worth L36bn (£15.7m).

Mr Craxi, who quit the leadership on February 16, has consistently denied wrong-doing and has claimed the magistrates are conducting a vendetta against him and the political establishment. His main defence rests on the argument that he ran the political/policy side of the party, with administration and finance left to others.

But even if Mr Craxi convinces parliament on this point, deputies face the awkward question of the degree of responsibility a party leader has for what goes on in his party - and whether this is sufficient grounds to waive immunity.

The pressure on Mr Craxi has mounted since Ms Enza Tomaselli, his private secretary, was arrested on February 17 and held under preventive detention. The tactic, used by magistrates to make people talk, has been much criticised.

The first senior Socialist to have immunity waived was Mr Gianni de Michelis, former foreign minister. On Friday he was questioned for the first time by magistrates regarding alleged illicit party finance over a Venice public works contract.

When he left the justice building, Mr de Michelis was chased by a hostile crowd.

European talks on sulphur emissions cut begin today

By Frances Williams in Geneva

NEGOTIATIONS begin today on setting new targets for reducing sulphur emissions in Europe in a bid to tackle the continent's worst pollution blackspots.

The week-long talks, under the auspices of the United Nations Economic Commission for Europe (ECE), will bring together more than 30 countries from western and eastern Europe.

They will be trying to advance negotiations on a new sulphur emissions protocol to the ECE's convention on long-range transboundary air pollution.

The current protocol, signed in 1985, set a 30 per cent emissions reduction target between 1980 and 1993.

Sulphur emissions, which contribute to acid rain, a major cause of forest death and building erosion, come mainly from fossil-fuelled power-stations. The emissions can drift over long distances; much of Scandinavia's sulphur deposits comes from power stations in eastern Europe.

ECE officials say European nations have already agreed in principle on, at minimum, an overall emissions standstill from present levels, but are not planning to set another across-the-board reduction target.

Instead, the negotiations are focused on reducing pollution above "critical load" – the threshold of ecological tolerance.

Surveys suggest that more than a third of Europe's ecosystems are suffering sulphur deposition above the "critical load," notably in the "black triangle" linking the Czech Republic, Poland and eastern Germany and in Scandinavia.

Negotiators will also be considering the technology required to reduce pollution to "critical load" levels and how to share the substantial cost burden.

The countries most responsible for high sulphur emissions, mostly in eastern Europe, are those least able to pay.

ECE officials say that, although violating the "polluter pays" principle, it makes sense for rich countries importing pollution from poor ones to pay part of the cost of reducing it.

The current sulphur protocol has 20 members. Neither Britain nor the US, both heavy polluters, has signed.

Spanish in bid to raise question of Gibraltar

By Tom Burns in Madrid

MR Javier Solana, the Spanish foreign minister, yesterday reiterated Spain's commitment to ending the UK's colonial presence in Gibraltar.

Speaking in the eve of a meeting with Mr Douglas Hurd, the British foreign secretary, Mr Solana cautioned that little progress towards solving the Gibraltar dispute could be expected from the one-day talks. Spain would use "persuasion and pressure in appropriate doses" to end the "anachronism" that Gibraltar represented.

The most obvious pressure exerted by the Spanish authorities consists of rigorous customs checks on vehicles entering and leaving the colony which can lead to queues of up to three hours.

At a diplomatic level Spain has prevented the implementation of the EC's External Frontiers Convention which lays down the borders of the Single Market because it refuses to accept Gibraltar under its present colonial status as a valid Community entry point.

Mr Hurd could, however, be pressed to review proposals tabled by Spain in 1985, which suggested a leaseback formula or power sharing.

The Financial Times (Europe) Ltd
Published by The Financial Times (Europe) GmbH, Frankfurt Branch, Nibelungenplatz 3, 6000 Frankfurt-am-Main 1: Telephone 49 69 156850: Fax 49 69 5964481: Telex 416193. Represented by E. Hugo, Managing Director. Printer: DVM GmbH-Hürriyet International, 6078 Neu-Isenburg 4. Responsible editor: Richard Lambert, Financial Times, Number One Southwark Bridge, London SE1 9HL. The Financial Times Ltd, 1993.

Registered office: Number One, Southwark Bridge, London SE1 9HL. Company incorporated under the laws of England and Wales. Chairman: D.E.P. Palmer. Main shareholders: The Financial Times Limited, The Financial News Limited. Publishing director: J. Rolley, 168 Rue de Rivoli, 75044 Paris Cedex 01. Tel: (01) 4297 0621; Fax: (01) 4297 0629. Editor: Richard Lambert. Printer: SA Nord Eclair, 15/21 Rue de Caire, 59100 Roubaix Cedex 1. ISSN: ISSN 1148-2753. Commission Paritaire No 67808D.

Financial Times (Scandinavia) Vimmelskaftet 42A, DK-1161 Copenhagen-K, Denmark. Telephone (33) 13 44 41. Fax (33) 935335.

NEWS: INTERNATIONAL

Weekend meeting was free of quarrels but it is too soon to signal a revival in the group's fortunes

G7 finance ministers rediscover harmony

By Peter Norman, Economics Editor

THEY came to rebuild international economic co-operation. When they left London after five hours of informal talks on Saturday, the finance ministers from the Group of Seven countries were congratulating themselves on a successful meeting free of quarrels.

But it remains to be seen whether the brief meeting of ministers and central bank governors from the US, Japan, Germany, France, Britain, Italy and Canada will revive the G7 after two years in which its gatherings have been marked more often by bickering than agreement.

Saturday's meeting was not intended to decide any blueprints or set up mechanisms to help the industrialised world deal with the problems of high and rising unemployment, recession and slowing growth in continental Europe and Japan, or the economic crisis in Russia.

There was no appetite for returning to the tightly co-ordinated policies of the 1980s when the G7 tried to limit exchange rate fluctuations among its members or set domestic economic policy objectives for members of the group that were rarely adhered to.

Instead, the G7 countries will continue to frame their policies very much with their own interests in mind, according to the "Sinatra Doctrine" of "doing it my way".

But there was much talk of a "positive spirit" after the meeting. The hope is the gathering will have enabled the ministers to exchange views frankly and gain a better insight into each others' economic problems and domestic political constraints.

"It doesn't mean that we have to have identical economic policies for our countries," said a senior US Treasury official. "But it does mean that each will be concerned as to how our policies contribute to sustained growth without inflation."

The decision not to issue a communique or take decisions helped Saturday's talks to run smoothly. There was no repetition of last April's G7 meeting in Washington when Japanese objections to one sentence of the final text prolonged the meeting for an acrimonious two hours.

But the absence of a communique could allow differences among nations to persist. Although the ministers went out of their way to avoid megaphone diplomacy and deliberately refrained from putting partner countries under pressure for specific policy commitments, there were signs of strain beneath the surface on Saturday.

'It doesn't mean that we have to have identical economic policies'

A senior US Treasury official said after the talks that Washington would like Japan to go beyond present plans for stimulating its economy by fiscal means. That sentiment was echoed by Mr Michel Sapin, the French finance minister, and other European G7 representatives. However, Mr Yoshiro Hayashi, Japan's finance minister, said he had no intention of introducing another package besides the existing budget that is being debated in the Japanese parliament.

The US, Britain and France made clear they would like to see further cuts in Germany's short-term interest rates but were given no assurances by the German delegation. Mr Piero Barucci, the Italian finance minister, said that all his G7 colleagues had told him they thought the lira was undervalued.

These tensions did not flare up into open dispute as the ministers were determined to be on their best behaviour and because Mr Lloyd Bentsen, the new US Treasury secretary, chose to adopt a softly-softly approach to America's allies.

With compliments flowing in from all sides for the US administration's deficit-reduction package and strong approval from other G7 countries for President Bill Clinton's pledge on Friday to support the multilateral trading system, Mr Bentsen decided to treat the meeting genuinely as a "get to know you" session.

He seems willing to wait a few months for any improved spirit of international co-operation to yield results. The senior Treasury official said the US hoped to see some positive fruits of co-operation by July's G7 summit in Tokyo, rather than the next G7 finance ministers' meeting in April.

It also remains unclear how far the G7 countries will set up an institutional framework to promote co-operation. Mr Bentsen, who has been making the running in pushing for a revived G7, appeared to have no plan on offer. His one suggestion, endorsed by the other countries, was that there should be fewer communiques and that they should be brief when issued.

Mr Theo Waigel, the German finance minister, appeared to be the only minister with concrete plans to strengthen the G7 structure. Like Mr Bentsen, he said communiques should be shorter and not necessarily issued after every meeting. He also called for:

- the G7 to meet four times a year;
- the managing director of the International Monetary Fund to be more deeply involved when the group has its periodic "mutual surveillance" discussions; and
- the IMF to submit carefully focused papers about the world economy to help the group's discussions.

Mr Waigel also suggested that trade and economics ministers should join one of the finance ministers' future meetings to discuss ways to promote the Uruguay Round of trade liberalisation talks. His ideas and other suggestions will be taken up by senior officials from the G7 countries.

By the time they report to their ministers it will be clearer whether the positive atmosphere of London marked a revival in the group's fortunes or was just part of President Clinton's political honeymoon.

NOTEBOOK

The lone Texan given group's star treatment

By Peter Norman and Peter Marsh

IT would go to the head of a lesser mortal. But it is to be hoped that Mr Lloyd Bentsen has been close enough to power for long enough to cope with the plaudits heaped on him and the new US administration in the course of Saturday's Group of Seven meeting.

After years in which the US has often appeared like a demanding cuckoo in the nest of international economic co-operation, Mr Bentsen could do no wrong. Arriving in London with the US deficit-reduction package in his briefcase and President Bill Clinton's support for the Uruguay Round trade negotiations in everyone's mind, the courtly 72-year-old Texan was given star treatment by his peers.

The other G7 partners were unanimous in complimenting the US measures. "It's a more serious attempt than anyone might have expected," said one fellow finance minister of the deficit-cutting plan. "I never thought they would do so much." Mr Bentsen himself acknowledged that his warm reception owed as much to the Clinton package as any contribution he made in the talks.

But Mr Theo Waigel, the German finance minister, had a cautionary tale just in case the reflected glory was going to Mr Bentsen's head. He recalled that Robert Anderson, a US Treasury secretary in the 1950s, always used to say that a finance minister who was popular had failed in his job.

No problem there, countered Mr Bentsen; any Texan who raised energy taxes was sure of unpopularity.

□□□□

The blunt refusal of Mr Yoshiro Hayashi, the Japanese finance minister, to consider any further fiscal stimulus to revive the Japanese economy was about the nearest the meeting came to sparking a quarrel among the G7.

Some observers speculated that the Japanese stand may have reflected continued annoyance about Mr Bentsen's out-of-turn remarks that had prompted a sharp rise in the yen's value against the dollar in the preceding week. Others thought Mr Hayashi's refusal to budge could reflect internal political tensions in Japan's Liberal Democratic party.

But some grumpiness would have been understandable, given the Japanese delegation's punishing travel plans. They arrived in London on Saturday morning after flying overnight from Tokyo, only to depart again almost immediately after the meeting. The reason? Not so much workaholism as the difficulties of getting the existing fiscal 1993 budget through parliament.

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Conspicuous by his absence at the end of the meeting was Mr Horst Köhler, the German Finance Ministry state secretary and chief G7 fixer. He left the meeting early to get back to Bonn for his 50th birthday celebrations.

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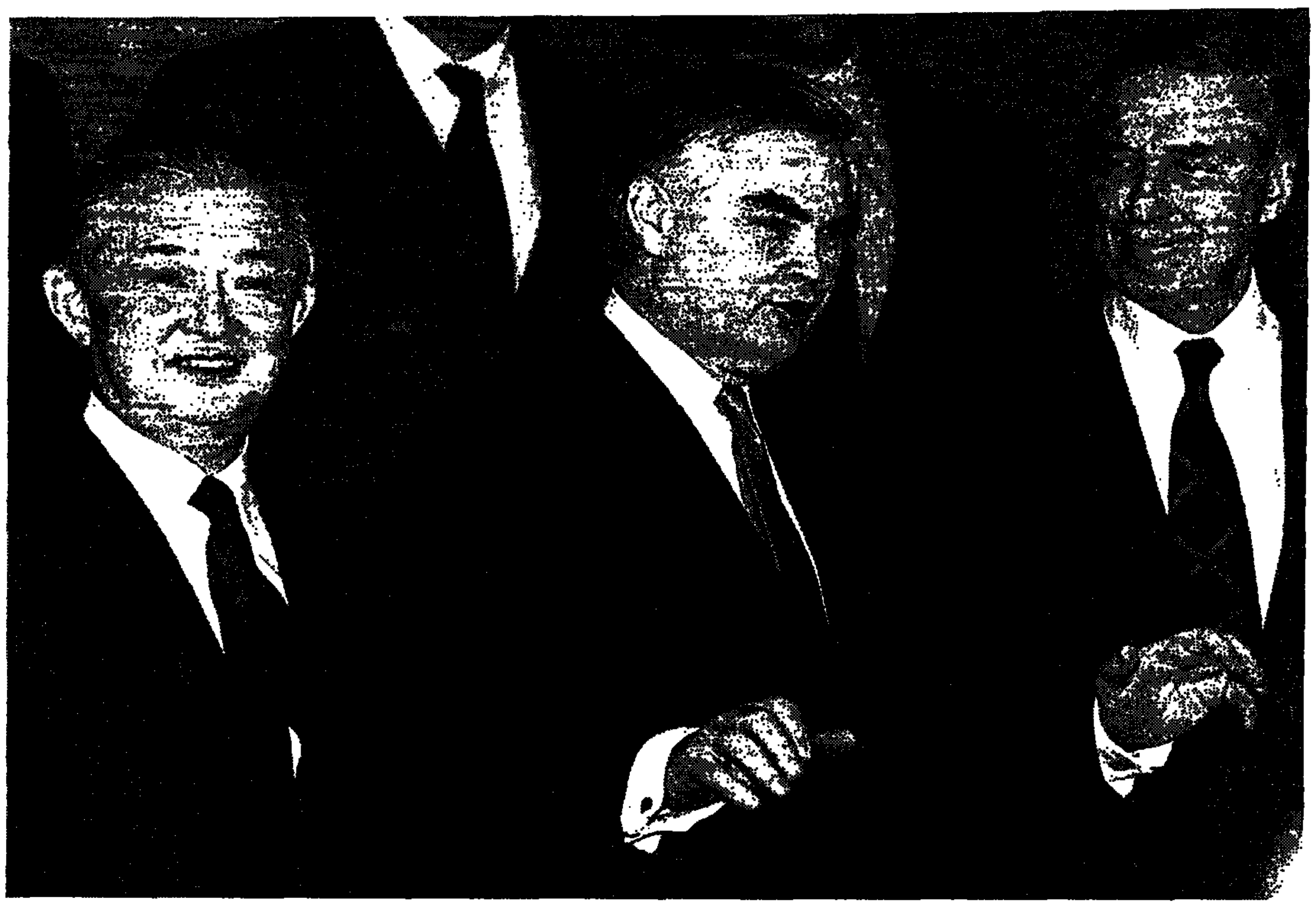
In keeping with the subdued mood of the meeting was the Denbies special reserve wine selected for Saturday's lunch of the main participants.

Although the Riesling/Müller-Thurgau produced by Britain's biggest vineyard is described by wine buffs as "piquant" and "exceptional", retailing at £7.85 a bottle it is some way from being among the world's finest. Mr Lamont seems to have got to hear about the wine after Surrey-based Denbies presented a case to Mr John Major a year or so ago. Perhaps Threshers should start promoting it.


Tony Andrews

Positive spirit: UK Chancellor Norman Lamont (centre) with Japanese Finance Minister Yoshiro Hayashi (left) and Mr Lloyd Bentsen, US Treasury secretary

Lamont confident of British growth

By Peter Marsh, Economics Correspondent

BRITAIN will show faster growth this year than the European economy as a whole, according to Mr Norman Lamont, the UK chancellor.

In confident mood after chairing the Group of Seven talks in London, Mr Lamont told a press conference he was encouraged by signs of an upturn in Britain, even though UK unemployment would "continue to rise for some time".

Mr Lamont noted a "disquieting" deterioration in economic conditions among other European nations, much of it linked to the slowdown in Germany. This was leading to a "serious situation" for growth prospects across mainland Europe.

In a robust rebuttal of speculation that he might lose his job in a cabinet reshuffle after this month's UK budget, Mr Lamont said he was looking forward to being in the British delegation at the annual world economic summit in Tokyo in July. "See you there," he told reporters.

Asked about the high level of German interest rates, the chancellor said: "When the Germans feel able to reduce their interest rates this will bring considerable benefits [to the rest of Europe]." But he said the G7 meeting had not discussed the timing of any such move.

Hinting that he might decide in the March 16 budget to put up taxes to reduce the growing public-sector deficit, Mr Lamont said that, "at the end of the day", governments had to decide on economic policies with regard to their long-term fiscal positions. That was even though the gap between state spending and revenues tended naturally to rise during recessions, such as the one Britain has suffered since about mid-1990.

Mr Lamont indicated he was cautiously optimistic about the possibility of a UK recovery, noting rising retail sales volumes and the latest modestly bullish survey of output expectations among manufacturers published last week by the Confederation of British Industry. He said that, on current economic evidence, UK bank base rates at 6 per cent were "at the appropriate level" after cuts of 4 percentage points since September.

Although he was concerned at the high level of UK unemployment, which in January pushed through 3m for the first time in six years, loss of jobs in Britain "could not be isolated" from similar trends in other developed countries. The "only answer" to high unemployment was to "get back on track" for steady non-inflationary growth.

"There are no easy solutions; if there were we would be implementing them already."

Brazil ultimatum on inflation

By Christina Lamb in Rio de Janeiro

BRAZIL's President Itamar Franco has issued an ultimatum to his economy minister to bring down inflation within the next three months.

In a interview at the weekend, Mr Franco hit out at remarks by Mr Paulo Haddad, the economy minister, that inflation would remain at current levels for the next three months.

Alarmed at the latest inflation figures which show no respite from the 30 per cent-a-month level, Mr Franco said "the people cannot tolerate more of this inflation". Accusing Mr Haddad of "giving a shock to the population," he warned "what brings down economy ministers is not presidents but inflation".

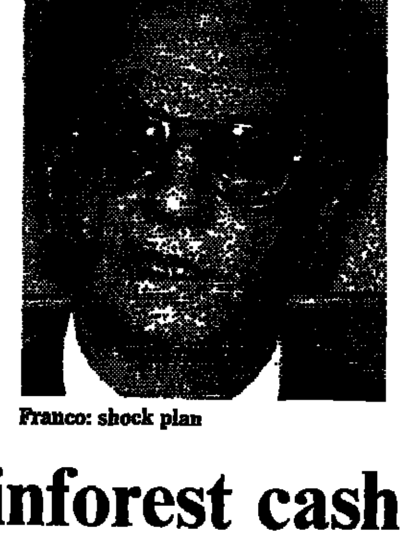
With no clear economic policy in force and inflation spiralling, expectation is growing that Mr Franco will resort to a shock plan and price freeze, something Mr Haddad has repeatedly ruled out. Mr Haddad says he is working on a stabilisation programme which cannot be implemented until late April as it requires structural changes to be made.

But Mr Franco said yesterday: "The public is fed up of hearing only that there won't be a new shock plan." Although he stressed he had no intention of imposing price controls "for the time being," he said he was unsure whether inflation could be reduced without measures such as a freeze.

Mr Franco's comments heightened speculation over the future of Mr Haddad, Brazil's fourth economy minister in three years.

In the past few weeks the president has publicly criticised his minister and refused to authorise his request to devalue the cruzeiro, which is now selling at 21,000 to the dollar.

The tension between the two men comes just as a mission from the International Monetary Fund is due to arrive in Brazil. The mission, arriving today, is to evaluate the economic situation as a preliminary to full negotiations on a new accord.


Franco: shock plan

Surge in Mexican trade deficit worries investors

By Damian Fraser in Mexico City

MEXICO'S trade deficit climbed to $20.6bn (£14.5bn) last year, an 85 per cent increase over 1991. The shortfall was $15.8bn when revenues from in-bond plants were included.

The trade deficit, which has increased five-fold since 1990, represents more than 6 per cent of gross domestic product and has become a growing source of worry for investors in Mexico's money and stock markets.

The December deficit climbed to $2.2bn, the largest monthly shortfall last year. Exports rose to $2.3bn, a 4.4 increase over December 1991, while imports were $4.5bn, a 26 per cent increase. The growth in imports appears to have levelled off at 25-26 per cent, although as yet there is no sign of it slowing.

The government is easily financing the deficit, but at the cost of an annual real interest rate of about 10 per cent. The Finance Ministry has long argued that the growth in imports reflects restructuring of Mexican industry, with companies importing capital and intermediate goods to improve productivity and to compete better with international competition.

Exports have also suffered from the weakness in the US and international economy, and the steady real appreciation of the peso against the dollar.

While the Mexican peso devalued by about 3 per cent against the dollar last year, Mexican inflation was some 9 percentage points higher than the US's.

For the year as a whole, exports reached 27.5bn, 1.5 per cent more than 1991.

Manufacturing exports performed slightly better, rising by 4.2 per cent.

The Finance Ministry said export growth was "satisfactory". Imports increased to $48.1bn last year, 26 per cent more than in 1991.

Minister presses for the release of rainforest cash

By Christina Lamb

BRAZIL'S environment minister, Mr Coutinho Jorge, arrived in London at the weekend to lobby for release of long-promised funds from the G7 leading industrialised nations for an ambitious plan to preserve the Amazon rainforest.

The Amazon Pilot Project agreed at the G7 summit in London in 1990 was heralded as the world's largest environment project and the first time that first and third world nations had co-operated on a big environmental programme.

Backed by the World Bank and European Community, the project envisaged spending $1.5bn (£1.05bn) over five years to protect the world's largest rainforest. But the Amazon has been pushed down the international agenda by more pressing matters and, three years on, Brazil still has not got a cent.

Mr Miguel Oliveira, spokesman for Mr Jorge, said: "The first world has got all the publicity for the initiative while avoiding giving anything. The rest of the world may have forgotten the Amazon but Brazil has not."

Last year, President Fernando Collor secured a pledge to liberate $50m before the Earth Summit hosted in Rio. But the matter was quickly buried amid his unsuccessful struggle to survive impeachment, and according to the Environment Ministry the money was never released.

The new government secured a promise that an initial $128m tranche would be released in April. But this is threatened by intense lobbying from environmental groups on the US and UK governments to block the funds in retaliation for Brazil's failure to recapture the escaped killers of Chico Mendes, the rubber-tapper who brought the rainforest plight to world attention. Ecologists say the Brazilian government made no effort to keep the assassins in jail despite repeated warnings an escape was planned.

Mr Jorge will meet this week with non-governmental organisations such as Friends of the Earth, academics, MPs and government ministers including Mr Michael Heseltine, Mr Michael Howard and Mr Tristan Garel-Jones to try to prevent the blockage of funds.

Mr Oliveira said yesterday: "The Pilot Project is to further the aims that Chico Mendes died for. Blocking the money would harm these objectives, not help them."

Deutsche Bank economist criticises 'inappropriate' Bonn policy

'Crash landing' predicted for W German economy

By Christopher Parkes in Frankfurt

THE western German economy is heading for a crash landing, dragged down by tumbling industrial production, high unemployment, and "inappropriate" policy responses in Bonn, according to Mr Norbert Walter, chief economist at Deutsche Bank.

Gross domestic product in the west will fall by up to 2 per cent this year and numbers without work will rise by a further 500,000, he told the Financial Times.

Another 100,000 will lose their jobs in the east, pushing the unadjusted pan-German total above 4m next January. By then some 1.5m people – an increase of 400,000 on latest levels – will be working short time, he added.

He predicted unemployment would remain at around 4m during 1994, and downgraded his forecast for economic growth next year from 3 to 2 per cent.

Fearing political paralysis due to federal and state elections starting in February next year, he said: "It is difficult to see when anyone in politics will have the chance to think and act. I have never yet seen any major policy changes in an election year."

He was confident of further cuts by the Bundesbank in leading interest rates, and said he was assuming the Lombard and discount rates would each fall 200 basis points to 7 per cent and 6 per cent respectively by the end of the year.

However, rate cuts alone could not bring recovery. In the short term, only exports – mainly to north America and south east Asia, which account for 20 per cent of overseas sales – could help bring relief.

Mr Walter's forecasts represent an almost complete reversal of his stance in a matter of weeks. From being one of the most optimistic commentators, he has switched to being one of the most pessimistic.

In an article written for the FT in early January he predicted nil economic growth and 3.25m unemployment during 1993. He later adjusted his growth forecast to minus 1 per cent, in line with government expectations.

"We are heading into a deeper trough than we had assumed," he explained, "and the economic policy reaction has been too small to correct the imbalances."

While there had been some surprising positive developments, including wage settlements around or below the expected rate of inflation and the Bundesbank's recent interest rate cuts, their benefits had been obliterated by further worsening of domestic and external conditions.

The government's proposed solidarity package, comprising mainly tax increases, was an "almost completely inappropriate" response under conditions which called for public spending cuts, privatisation of state assets and an increase in the retirement age, he said.

Mr Walter enjoys privileged observer status in Germany's biggest private bank, which has intimate links with the country's top companies. He said business and consumer confidence was "crashing".

Apart from the effects of the cyclical downturn, western Germany faced structural deterioration with de-industrialisation, nil foreign investment and "an extended period of increased unemployment".

Despite his gloom, he said he could not imagine that the people, politicians and business community would not react this year. Union restraint on pay, which has led to deals of 3-4 per cent this year, showed labour leaders had reacted more rationally than politicians.

Mr Walter said he had a faint hope that Germany would "fight back" if the failings of Europe's "model" economy threatened the national reputation with international ridicule.

However, he added, next year's elections loomed as "a deadly threat to my hopes".

Walter: reversed stance in weeks

German states agree on need for more Bonn cash

By Judy Dempsey in Potsdam and Quentin Peel in Bonn

THE 16 federal states in Germany have agreed a common plan to finance the soaring costs of unification by stating that central government must bear the overwhelming burden, and taxes must go up by next year at the latest to finance it.

A summit meeting of the 16 state premiers in Potsdam at the weekend reached little agreement on where they can save more money, but clear agreement on the need to wring more cash out of the central state exchequer.

The deal was immediately denounced by Mr Theo Waigel, the German finance minister, as one which would cause an "unjustifiable increase" in the German federal government deficit, and make the central government "incapable of action".

The states agreed that some form of tax increase would be needed before 1995, the first date from which Mr Waigel is prepared to consider such a move. He said yesterday that tax rises could not be considered until growth resumed in the German economy.

It means that there is still a wide gap to bridge between the central government and the 16 states on how they will pay for an estimated DM110bn (£46.5bn) in annual transfers to east Germany from 1995 onwards. Mr Waigel said the states' plan would mean the central government would have to pay 90 per cent of the total bill.

The 16 state premiers agreed they could only afford to shoulder a share of the burden if the central government agreed to give them a much larger share in its revenues from value added tax: they want 45 per cent of the total VAT take in future, against 37 per cent at present, or an extra DM20bn.

They also agreed that the financial needs of the five "new" federal states of east Germany would amount to at least DM60bn from 1995, if they were to carry out their normal functions, including the financing of education, housing, and police forces.

There was little agreement about the precise size of the transfers needed in 1995. The western states proposed DM60bn, while the eastern states said between DM75bn and DM80bn.

In addition to the DM60bn, the central government estimates that a further DM40bn is required to pay the debt service costs of inherited east German debts from 1995, and DM10bn for costs of supporting east German industry, and making subsidy payments to the poorest western states.

The state premiers discussed several proposals for savings, including the abolition of the 13th school year in the German school system, and a rise in the public sector working week.

In spite of the flimsy nature of the agreement, the state premiers congratulated themselves on their apparent unanimity at talks.

The two-day conference opened on Friday in Potsdam, the capital of Brandenburg.

Both Mr Kurt Biedenkopf, the premier of Saxony in east Germany, and Mr Waigel stressed yesterday that the debate on financial burden-sharing went to the heart of Germany's federal structure. But that was as far as their agreement went.

Mr Waigel said he would present to the Cabinet on Thursday the necessary laws to put into effect the government's alternative plan for both savings and tax increases. However, the two sides will meet on March 11, and both insist they are prepared to consider compromises.

Kindelbrück: a suitable case for privatisation

Christopher Parkes sees a US luggage company go to Germany

THE EUROPEAN MARKET

Kindelbrück's position in the middle of Germany has never been much of an attraction in the past. But according to the management of York Luggage, a New Jersey suitcase company, it was the principal reason for their presence in this small town in Thüringia, late in January, partying on blood pudding, raw pork and strong east German beer.

They were celebrating the end of a long search for a European manufacturing base which had started before anyone contemplated the possibility of German unification, and ended in the cast-offs department of the Treuband privatisation agency.

The Kofferfabrik Kindelbrück, founded in 1914, had been marked down for liquidation. It was to become another casualty of unification... and another warning that the town was fated never to enjoy the full fruits of commercial success.

Kindelbrück's chronicles show that the industrial revolution simply passed the place by. In 1873, for example, an appeal for a railway connection was turned down. Two years later, the paper works, until then the town's most enduring industrial establishment in 700 years of recorded history, was closed. A shoe factory opened in 1888 and shut five years later after another failed bid for a rail link.

Thanks to the new owner, York Luggage, Kindelbrück has kept its only manufacturing company, which has withstood fire, war, communist neglect and the ravages of the free market since it was founded in 1911. But the town still has no railway, no canal or river link, just a ropey two-lane road passing through. The nearest hotel still has no effective telephone system.

But Mr Frank Alfieri, York's chairman and chief strategist, does not care.

As well as being in the geographical centre of Germany – itself the biggest market for luggage in Europe – the town sits in the middle of a new European market of boundless potential, he says. It is home to a workforce experienced in sticking and stitching suitcases. Unusually, the company also has an established customer base among department and speciality store buyers in western Germany, which was in place before the collapse of eastern European markets which formerly bought 1.5m cases a year.

Among the tangibles, the package bought from the Treuhand included nine acres of land and 30-odd scruffy buildings redolent with the smell of drains and fresh paint.

The price, as usual in Treuhand deals with private companies, is a secret. The social cost, as usual, has been enormous. Of the 630 former employees, who used to make 1.5m cases a year, only 78 remain. A handful being trained to work leather and manufacture a new line in laptop computer carriers-cum-briefcases will bring the total to 100 later this year.

For the medium term, York is committed to investing DM4.8m (£2.03m) in the site. What returns this will yield in jobs and earnings rest with the success of the company's bold, even curious, product strategy.

York is primarily a US luggage wholesaler which gave up domestic manufacture more than 10 years ago, shifting offshore to the far east. In north America it markets retailers' own-label product and brands such as Bill Blass, Diane von Furstenburg and Members Only with an up-market but distinctly regional cachet.

In Europe, where established labels such as Samsonite and Delsey dominate the middle market and the likes of Louis Vuitton skim the cream, the New Jersey newcomer plans to start in the crowded lower reaches. (The "Wartburg" line in its current product series, bearing the same name as the defunct East German car, gives a clue to its ambitions at this level). But the company also plans to ship products from Germany to the US and import its American ranges into Kindelbrück for distribution in Europe.

> The town still has no railway, no canal or river link, just a ropey two-lane road passing through

In addition, Mr Alfieri says, it is trying to win licences to manufacture sports bags under the Reebok, Adidas or Nike labels, and studying the prospects for a grander design. "What succeeded in the US with designer names may be possible in Europe," he adds. Most challenging, however, is a project to establish the York name in the mid-range as a new brand in its own right.

Tall orders for a new management which expects just DM10m sales this year and has to ride a recession into the bargain. The key, says Mr Alfieri, is that although consumers are not yet aware of the York name, it is well respected among retailers. Since distribution channels are already established, the company believes its main task is to ship suitable products down them.

Meanwhile, export trade has already started with Switzerland, Austria, France and the Netherlands. Nor is the local market being neglected. While the band played and the beer flowed in the front office, cash was flowing in through the back door where a chalked sign tempted passers-by: "Special offer, suitcases DM7 to DM35".

NEWS: INTERNATIONAL

Report criticises security forces in Kashmir

TWO US human rights groups yesterday charged Indian security forces, fighting against insurgents in the mountain state of Kashmir, with stepping up a "campaign of terror against civilians", writes Stefan Wagstyl in New Delhi.

The report, from Asia Watch and Physicians for Human Rights, comes at a time of international concern about the ferocity of the struggle between the Indian security forces and the militant groups.

Deaths have escalated since the Indian forces launched a crackdown last summer which was then followed by a winter campaign.

In the most serious incident, 65 civilians were killed in the city of Sopore in January when security forces staged an attack, after a militant assault in which two soldiers died.

The report documents alleged cases of torture, detention without trial and assaults by members of the security forces on civilians.

It makes a particular study of the alleged violation of the rights of doctors, medical workers and patients.

The researchers document cases where ambulance drivers and others were allegedly prevented from transporting those wounded in gun-batties. The researchers also charge the security forces with raids on hospitals and detention and harassment of healthcare workers. The 58-page report warns that medical services in Kashmir are breaking down and calls on India to permit the International Committee of the Red Cross to visit Kashmir.

The Indian government's response, contained in the report, accuses the authors of bias and ignoring the scale of the militants' armed attacks.

It says hospitals sometimes have to be searched for fugitive terrorist suspects. The government offers no specific comment on the alleged cases of torture, but says that "excesses" by security forces cannot be condoned.

The Crackdown in Kashmir: Asia Watch, 485 Fifth Avenue, New York, NY10017.

India's finance minister lets the economy go

By Stefan Wagstyl

A WEEK ago, a leading Indian economist said he believed the finance minister would "wait another six to nine months before letting the economy go. There's so much he still has to put right."

But Mr Manmohan Singh, the finance minister, decided not to wait. This weekend's budget is a bet that, after a squeeze which started in mid-1991, the Indian economy is now ready for solid and long-lasting expansion.

It is also an acknowledgement that, after the Ayodhya crisis, Mr P V Narasimha Rao's government is in need of recovering popular support for itself and for economic reform. As Mr Singh said in his budget speech: "I have used this budget as an opportunity to put economic and social development firmly back on the national agenda."

Initial indications are that Mr Singh has succeeded – at least temporarily. Most industrialists, economists and newspaper columnists welcomed his budget. The question is whether there will be an economic price to be paid for this burst of popularity.

Mr Singh had the scope to prime the economy principally because of the severity of the previous austerity drive which has cut inflation rapidly and reduced the fiscal deficit. The fiscal deficit has dropped from 8.4 per cent in 1990-1991 to just over 5 per cent. Officials said that if they left revenue and spending policies unchanged, the deficit would fall in 1993-94 to 3.5 per cent.

Tax relief, mainly reductions in customs duties, will inject some Rs45bn (£1.03bn) into the economy.

The largest duty cuts will come on capital goods, raw materials and components, so manufacturers will benefit, though they are expected to pass on gains to consumers. Industry is also pleased with the 1 percentage point cut in interest rates and with tax breaks for investments in key sectors such as power.

Mr R C Bhargava, the chairman of Maruti, a leading car maker, commented: "The days of recession are over."

The increases in public spending are aimed at ameliorating some of India's chronic weaknesses and winning support for economic reform from poorer people who benefit little from import duty cuts.

THE MAIN POINTS

- The Rupee is to be fully floated from today. The present two exchange rates, official and market, will be replaced by a single market rate.
- Import duties slashed with maximum rate cut from 110 per cent to 85 per cent. General capital goods rate cut from 55 per cent to 35 per cent with further cuts for export-oriented industries and power generation and distribution.
- Interest rates cut by 1 percentage point.
- A five-year tax holiday for investments in power, plus other incentives.
- Public funds for state-owned banks to provide for bad loans. Permission for banks to raise funds on capital markets.
- Increases in public investment in power, petroleum and natural gas. Increases in spending on agricultural development, education and infrastructure.
- Cuts in domestic excise duties expected to reduce prices of consumer goods including cars, television sets, refrigerators, cosmetics and biscuits.
- No change in basic income or corporation taxes.

Project spending in rural development is going up by 62 per cent, in education 37 per cent and in power investment 22 per cent.

The exchange rate reform will also tend to increase government spending.

Until this weekend, India has operated two exchange rates – a market rate (last week Rs33 to the $) and an official rate (Rs26). Exporters and other owners of foreign exchange have been required to change 60 per cent of their funds at market rates and 40 per cent at official rates.

Finance ministry officials argue that now is an opportune time to end their squeeze and float the rupee. World oil prices, interest rates and inflation rates are low, so India is cushioned against price shocks.

If the economy develops as planned, Congress (I) can fight elections this year or next, basking in the glow of prosperity. While general elections are not due until 1996, the Bharatiya Janata Party, the right-wing Hindu party whose supporters stormed the Ayodhya mosque, is demanding an early poll. Elections in four states where BJP governments have been suspended are likely to be held this year.

However, three potential dangers loom on the economic horizon. First, with 70 per cent of the labour force in agriculture, India's economic progress is still critically dependent on the weather.

A good monsoon last year boosted growth; a poor one now could hinder it and fuel inflation.

Next, exporters may not be able to respond quickly to the rupee's flotation, even though it should increase their revenues. Indian manufacturers still suffer from foreign buyers' doubts about quality and delivery schedules.

If exports stay sluggish but imports grow in response to duty cuts, the current account deficit will soar, putting expansion in jeopardy.

Finally, Mr Singh has postponed some difficult issues such as extending the scope of the tax net.

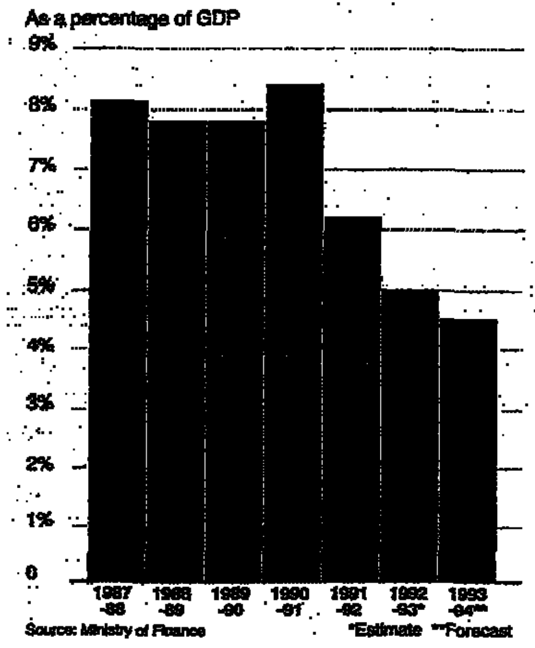
There is no mention of plans for labour law reform – including increasing employers' rights to sack redundant workers. There is political advantage from these delays – but economic modernisation will require that these problems are tackled.

Mr Singh is aware serious structural reforms are still needed. His budget contains substantial moves to prepare India's financial system for liberalisation. Notably, the government is injecting Rs57bn in capital into the state-owned banks to help them provide for bad debt. Mr Singh is also cutting the funds they must lend at low rates to the government – from 36 per cent of deposits to 25 per cent over three years – thus releasing more funds for commercial lending. Further, there are measures to *beef up supervision of banking* and securities after last year's Bombay securities scandal.

There is no doubting Mr Singh's personal commitment to pro-market reform. However, it is worth remembering that the initial impetus for reform came not from any ideological conversion in favour of free markets in the finance ministry but from the shock of a balance of payments crisis. As the memory of that crisis fades, so it will become more difficult to advance politically unpopular changes.

India's fiscal deficit

As a percentage of GDP



Source: Ministry of Finance *Estimate **Forecast

Manmohan Singh, Finance minister

Thailand expects budget deficit for fiscal 1993

By Victor Mallet in Bangkok

THAILAND'S Bt560bn ($22bn) budget for fiscal 1993, which predicts a budget deficit for the first time in four years, was passed by the House of Representatives in Bangkok at the weekend.

The bill was approved on Saturday after hours of squabbling between members of parliament over such issues as the budget money that Thai MPs are authorised to spend on projects in their own constituencies.

Revenue is estimated at Bt534.4bn. Officials of the budget bureau defended the deficit, amounting to Bt25.6bn or about 0.9 per cent of gross domestic project, on the grounds that additional funds were needed for investment in roads and other infrastructure. Mr Chuan Leekpai, the Democrat prime minister, has promised to develop rural areas.

It is possible that the projected deficit will in any case never materialise. Last year the budget was balanced, but the government ended up with higher revenues and lower spending than expected, leaving a surplus of Bt52.3bn, or about 2 per cent of GDP.

This year's budget, covering the fiscal year from October 1992, is six months late because of the political upheaval in the country last year. Gen Suchinda Kraprayoon was removed from the premiership after 50 pro-democracy demonstrators were shot dead by soldiers in Bangkok in May, and an interim government ran the country until the September elections which brought Mr Chuan to power.

Economists have mixed views on the budget. Proponents of higher spending point out that the treasury is now sitting on an accumulated surplus of Bt220bn and that expenditure for the first half of this year has already been held at last year's levels by the delay in preparing the budget.

Fiscal conservatives, on the other hand, are worried that attempts by government departments to spend their new allocations rapidly in the six months remaining will lead to financial indiscipline.

The latest report from the Bank of Thailand, the central bank, suggests that the main economic concern continues to be the current account deficit. Economic growth in calendar 1993 is expected to rise to 7.8 per cent from 7.5 per cent last year, but a rise in imports is likely to push the current account deficit above the 6.4 per cent of GDP recorded in 1992.

Pakistan finds coal field of 80bn tonnes

COAL reserves of 80bn tonnes have been found in Pakistan's Sind province, Reuter reports from Islamabad.

Prime Minister Nawaz Sharif was informed about the find in the southern province's Thar area while flying to the central Sind district of Nawabshah, the official APP news agency said.

No further details were immediately available about Pakistan's biggest reported coal discovery.

Mr Sharif issued instructions to concerned authorities to develop fully the mine for coal-based generation of electricity to help meet Pakistan's energy shortage, APP said.

Pakistani authorities said last that year they had found what they called the largest coal field in south-east Asia and the Middle East. The field's reserves have been put at more than 10bn tonnes.

Those reserves are also located in Sind at Thara-Jo-Goth near the Indian border.

Previously Pakistan had estimated its coal reserves at only 579.6m tonnes with an annual production of more than 2m tonnes in recent years.

China boosts trade drive in S Africa

By Tony Walker in Beijing

CHINA will extend its trade drive to South Africa next month when it opens its first trade fair there, a move that suggests that the establishment of formal diplomatic relations with Pretoria may not be far off.

About 80 Chinese companies will participate in the Trade Expo organised by the China Council for the Promotion of International Trade and to be held in Johannesburg from April 19 to 25.

The CCPIT-organised fair in South Africa is one of 22 planned internationally and coincides with a rapid increase in China's exports, expected to reach $100bn this year.

China's efforts to further accelerate its trade growth – it is expected to leap into the top 10 of the world's trading nations this year – comes as Beijing intensifies its attempts to rejoin the General Agreement on Tariffs and Trade. China and the US formally resume Gatt talks in Beijing this week after a three-year break following the 1989 Tiananmen Square massacre.

China and South Africa last year established visa-issuing representative offices known as "research centres" in each other's capitals as preparation for full normalisation.

China, which has been discreetly trading with South Africa for many years, has said that formal relations would follow further constitutional reforms, including agreement on a national unity government pending elections.

The foreign ministers of the two countries have exchanged visits. South Africa's Mr Pik Botha visited Beijing in 1991 and China's Qian Qichen went to Pretoria last year.

● Gold-hungry Chinese consumers spent the equivalent of $4.3bn (£3.02bn) on gold jewellery last year, according to China's official Business Weekly.

Quoting a report of the Geneva-based World Gold Council, the newspaper said that based on "conservative estimates" jewellery sales in China exceeded 250 tons.

This was equivalent to one quarter of all the gold sales in Asia – a region that is traditionally a big gold consumer. Taiwanese buy about 10gm of gold on average a year, Hong Kong residents 6gm and China 1.8gm.

The huge Chinese demand for gold jewellery has been partly spurred by concerns about the depreciating value of the local currency – the Renminbi – and also by growing affluence in a country where economic growth last year topped 12 per cent.

The World Gold Council, an association of producers, said that it would devote more resources to developing the gold market in China. It planned to target women con sumers.

The People's Bank of China, the country's Central Bank, has purchased large quantities of gold in the past year, but the Chinese have not disclosed details.

China has not divulged the extent of its gold reserves for more than 10 years.

Rocket attack on Kabul kills 60

ROCKETS and shells ploughed into homes and a busy bazaar in Kabul yesterday, killing more than 60 people and injuring 100 a day before planned peace talks between rival Afghan leaders in neighbouring Pakistan, **Reuter reports from Kabul.**

Two mortar bombs exploded among crowds in the Feruzhgar bazaar, killing 14 people and injuring more than 60 in the bloodiest attacks since an informal ceasefire took effect two weeks ago.

The Defence Ministry blamed the hardline dissident Hezb-i-Islami party of Gulbuddin Hekmatyar for shattering the ceasefire and bombarding the city with more than 40 rockets and shells.

UN begins Angola truce bid

The United Nations mounted a last-ditch attempt yesterday to convene peace talks between the Angolan government and a team of Unita rebels which said it was trapped in Angola by fighting, **Reuter reports from Addis Ababa.**

Delegates who had been waiting in Ethiopia since Friday for the talks to start said the UN was in touch with Unita in the hope that the rebels would accept elaborate plans to take them to Ethiopia.

No progress on Malacca pirates

Maritime experts from Malaysia, Indonesia and Singapore have made no headway on piracy in the Strait of Malacca, one of the world's busiest waterways, **Kieran Cooke reports from Kuala Lumpur.**

Taipei firefighters rescued four people trapped under this collapsed apartment building yesterday

Concessions on deportees 'soon'

By Jurek Martin in Washington

THE US expects further concessions soon from Israel on the difficult issue of the fate of the 400 Palestinian deportees, according to Mr Warren Christopher, the secretary of state.

In a TV interview yesterday, Mr Christopher, just back from his first Middle East tour as secretary of state, said the deportee problem was "on its way to resolution."

He refused to disclose any details but added that the new developments "will give reassurance to the Palestinians" and, in his opinion, would *make all the more likely the attendance of the Palestinian* delegation at the Middle East peace talks due to reconvene in April.

He was particularly encouraged that those Arab leaders to whom he had spoken and who had influence over the Palestinians all thought there was now "a moment of opportunity" for the peace process to get under way again.

This had been brought about, he said, by the fact that the US was now seen again to be willing to play an active leadership role as an "honest broker".

S Africans get the taste for disclosure

Pressure is growing on government to clean up its act, writes **Patti Waldmeir**

IN THE twilight months of white rule, South Africans have discovered a taste for public disclosure: not just for chilling revelations of human rights abuse, but for evidence of economic crimes and misdeeds that have been buried for years under apartheid – and would probably have brought down a government in any western country.

Over the past week, the auditor general, Mr Peter Wronsley, has published the accounts of government departments and statutory bodies showing widespread mismanagement and abuse. Local newspapers have attacked the large perks paid to government ministers. And a member of parliament from the liberal Democratic Party pointed out in the House that, although financial scandals involving R5bn (£1.1bn) in expenditure had been disclosed over the past 18 months, no minister had been sacked, or had resigned.

Some 35 government officials are under investigation for corruption, 16 have been or are being tried, with six convicted so far.

The unspoken message is that the white government must clean up its public management act before handing over to a mostly-black administration. Most whites and some blacks assume, by African precedent, that this will do an even worse job of managing public finances.

However, exasperation with the ruling National Party has reached such levels that white callers to a recent popular phone-in show, on Johannesburg's Radio 702, have begun to say regularly that they cannot imagine a black government exceeding National Party mismanagement.

The auditor general's report for last year condemns weak management systems and inadequate financial controls, especially in the South African Defence Force (half of whose budget is earmarked for secret funds, on which he did not comment) and the Department of Foreign Affairs, which provides billions of rands in funding annually (R5.4bn last year) to the nominally independent homelands, Transkei, Ciskei, Bophuthatswana and Venda.

Mr Wronsley found, overall, that he could not publish unqualified audits for three government departments, 14 statutory institutions, and that he could express no opinion on the accounts of two other government bodies.

But he condemned most severely the black homelands for failing to keep to financial guidelines, overspending on salaries and poor project controls, and said he doubted whether Transkei, Venda and Ciskei could repay some R3.3bn in debts guaranteed by South Africa.

Threatened now with reincorporation into a unitary South Africa, homeland officials are widely suspected of siphoning off large sums as protection against an uncertain future.

Only a day later, parliament's joint committee on public accounts criticised projects by the now-disbanded secret military unit, the Civil Co-operation Bureau, widely alleged to be involved in the murders of anti-apartheid activists: the committee questioned R13m in what it considered unauthorised or improper spending.

As the new South Africa approaches, allegations abound of government officials fiddling with pension entitlements to insure against racially motivated retrenchments. This includes a recent case in which 4,000 white teachers were offered early retirement (with pension) by the white education department, but left free to sign up for fresh employment (and a new pension) with the separate departments which administer non-white education.

Whatever its shortcomings, the National Party is likely to pay no immediate price for poor administration of public funds: South Africans know they have no choice but to continue supporting the party, if they seek a stable transition to majority rule.

But as the Johannesburg daily, Business Day, commented last week, the public must continue to demand accountability or "the voting public will have only itself to blame when the pattern of corruption continues".

INTERNATIONAL ECONOMIC INDICATORS: BALANCE OF PAYMENTS

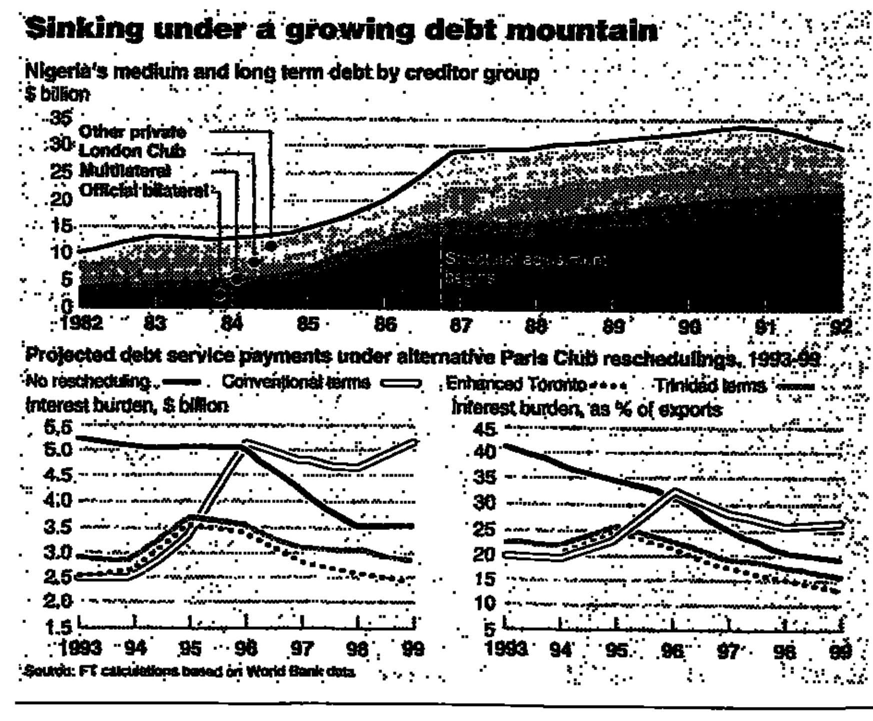
Trade figures are given in billions of European currency units (Ecu). The Ecu exchange rate shows the number of national currency units per Ecu. The nominal effective exchange rate is an index with 1985=100.

	UNITED STATES					JAPAN				
	Exports	Visible trade balance	Current account balance	Ecu exchange rate	Effective exchange rate	Exports	Visible trade balance	Current account balance	Ecu exchange rate	Effective exchange rate
1985	279.8	−174.2	−159.7	0.7623	100.0	230.8	76.0	64.5	180.50	100.0
1986	230.9	−140.6	−150.0	0.9836	80.2	211.1	96.2	86.9	165.11	124.4
1987	220.2	−131.8	−141.6	1.1541	70.3	197.3	86.1	75.5	166.58	133.2
1988	272.5	−100.2	−107.0	1.1833	66.0	219.8	80.7	66.6	151.51	147.3
1989	330.2	−99.3	−91.8	1.1017	69.4	245.3	70.5	52.4	151.87	141.9
1990	309.0	−79.3	−70.9	1.2745	65.1	220.0	50.1	28.3	183.94	126.0
1991	340.9	−52.3	−3.0	1.2391	64.5	247.5	83.2	63.0	166.44	137.0
1992	346.5	−64.0		1.2957	62.9	254.6	102.7	90.3	164.05	142.9
1st qtr.1992	87.3	−12.0	−4.7	1.2623	63.5	65.0	26.1	22.7	162.21	142.2
2nd qtr.1992	86.7	−16.6	−14.0	1.2717	63.6	63.1	25.4	22.6	165.60	139.9
3rd qtr.1992	80.6	−18.2	−10.3	1.3831	60.1	61.4	24.3	20.3	172.79	139.6
4th qtr.1992	92.4	−17.0		1.2658	64.2	65.5	27.0	24.9	155.57	149.7
February 1992	29.8	−2.7	n.a.	1.2634	63.4	21.7	9.3	7.7	161.18	143.3
March	30.1	−4.6	n.a.	1.2309	65.1	21.9	8.7	9.6	163.61	139.6
April	29.3	−5.7	n.a.	1.2436	64.8	21.0	7.6	7.5	165.92	138.2
May	28.2	−5.7	n.a.	1.2676	63.8	20.9	9.3	8.6	165.57	139.7
June	29.3	−5.2	n.a.	1.3039	62.3	21.2	8.5	6.5	165.32	141.7
July	27.6	−5.4	n.a.	1.3693	60.5	20.5	8.4	7.0	172.22	139.2
August	25.5	−6.5	n.a.	1.4014	59.8	19.7	7.6	6.1	177.11	137.0
September	27.5	−6.3	n.a.	1.3786	60.2	21.2	8.3	7.2	169.05	142.5
October	29.6	−5.5	n.a.	1.3210	62.1	21.6	9.2	7.9	159.93	148.2
November	30.8	−5.9	n.a.	1.2372	65.1	22.2	9.1	9.4	153.22	150.3
December	32.1	−5.8	n.a.	1.2391	65.3	21.7	8.7	7.6	153.57	150.7
January 1993				1.1968	66.4				149.62	151.3

	GERMANY					FRANCE				
	Exports	Visible trade balance	Current account balance	Ecu exchange rate	Effective exchange rate	Exports	Visible trade balance	Current account balance	Ecu exchange rate	Effective exchange rate
1985	*242.8*	*33.4*	*21.7*	*2.2260*	*100.0*	133.4	−3.6	−0.2	6.7942	100.0
1986	*248.6*	*53.4*	*40.3*	*2.1279*	*108.8*	127.1	0.0	3.0	6.7946	102.8
1987	*254.3*	*56.8*	*39.8*	*2.0710*	*115.3*	128.3	−4.6	−3.6	6.9265	103.0
1988	*272.6*	*61.6*	*42.9*	*2.0739*	*114.6*	141.9	−3.9	−3.4	7.0354	100.8
1989	*310.2*	*65.3*	*52.2*	*2.0681*	*113.5*	162.9	−6.3	−3.6	7.0169	99.8
1990	323.9	51.8	37.0	2.0537	119.1	170.1	−7.2	−7.2	6.9202	104.8
1991	327.4	11.2	−16.1	2.0480	117.7	175.4	−4.2	−4.7	6.9643	102.7
1992	330.3	16.5	−19.4	2.0187	121.2	182.2	4.2	2.2	6.8420	106.0
1st qtr.1992	83.2	3.1	−4.3	2.0422	118.8	45.4	0.9	−1.0	6.9492	103.4
2nd qtr.1992	81.1	3.6	−4.8	2.0511	118.7	46.2	1.5	0.9	6.9122	104.4
3rd qtr.1992	83.9	6.4	−6.6	2.0221	122.1	45.2	0.9	0.2	6.8536	106.6
4th qtr.1992	82.1	3.4	−3.7	1.9593	125.0	45.3	9.7	2.2	6.6529	109.3
February 1992	27.7	1.1	−0.9	2.0443	118.6	15.0	0.11	−0.08	6.9572	103.3
March	28.2	1.7	−0.2	2.0456	118.4	15.5	0.23	−0.86	6.9429	103.4
April	29.5	2.4	−0.9	2.0483	118.6	15.8	1.10	0.06	6.9274	103.9
May	26.5	0.6	−1.9	2.0551	118.4	15.0	0.59	1.38	6.9090	104.5
June	25.1	0.6	−1.9	2.0498	119.1	15.4	−0.16	−0.54	6.9001	104.9
July	28.3	1.0	−3.8	2.0410	120.7	15.5	0.66	0.05	6.8872	106.0
August	27.7	3.1	−0.9	2.0326	122.0	14.2	−0.45	0.02	6.8944	106.3
September	27.8	2.3	−1.8	1.9927	123.6	15.6	0.49	0.13	6.7792	107.6
October	28.6	2.4	−0.8	1.9564	125.7	15.1	0.11	0.99	6.6368	110.0
November	26.8	0.9	−0.3	1.9634	124.0	15.1	0.05	0.13	6.6426	109.0
December	26.7	0.1	−2.5	1.9581	125.3	15.1	0.81	1.11	6.6793	108.9
January 1993				1.9327	125.3				6.5539	109.7

	ITALY					UNITED KINGDOM					
	Exports	Visible trade balance	Current account balance	Ecu exchange rate	Effective exchange rate	Exports	Visible trade balance	Current account balance	Ecu exchange rate	Effective exchange rate	
1985	103.7	−16.0	−5.4	1443.0	100.0	132.4	−5.7	4.7	0.5890	100.0	1985
1986	99.4	−2.5	−1.4	1461.6	101.4	108.3	−14.2	0.1	0.6708	91.6	1986
1987	100.7	−7.5	−2.1	1494.3	101.2	112.3	−16.4	−6.4	0.7047	90.1	1987
1988	108.3	−8.9	−8.0	1536.8	97.8	120.9	−32.3	−24.3	0.6643	95.5	1988
1989	127.8	−11.3	−14.0	1509.2	98.6	137.0	−36.7	−32.3	0.6728	92.6	1989
1990	133.6	−9.3	−19.4	1523.2	100.6	142.3	−26.3	−23.8	0.7150	91.3	1990
1991	137.0	−10.5	−28.0	1531.3	98.9	147.7	−14.7	−9.0	0.7002	91.7	1991
1992	137.9	−8.0		1591.5	95.7	145.1	−18.7	−16.1	0.7359	88.4	1992
1st qtr.1992	34.3	−5.1	−7.6	1535.7	99.0	36.7	−4.3	−4.0	0.7126	90.6	1st qtr.1992
2nd qtr.1992	35.8	−3.6	−11.1	1546.3	98.5	38.0	−4.5	−4.4	0.7034	92.3	2nd qtr.1992
3rd qtr.1992	32.9	0.5	−8.2	1564.6	98.2	36.4	−4.5	−3.0	0.7261	90.9	3rd qtr.1992
4th qtr.1992	34.8	0.0		1719.4	87.1	34.3	−5.4	−4.6	0.8015	79.8	4th qtr.1992
February 1992	11.4	−1.4	−2.2	1535.6	99.0	12.6	−1.4	−1.33	0.7105	90.9	1992 February
March	12.1	−1.6	−2.2	1536.7	98.8	12.5	−1.2	−1.16	0.7141	90.1	March
April	11.7	−1.2	−3.9	1542.0	98.6	12.4	−2.0	−1.90	0.7076	91.4	April
May	11.5	−1.9	−3.4	1546.6	98.5	13.0	−1.2	−1.17	0.7000	92.8	May
June	12.7	−0.5	−3.8	1550.3	98.5	12.5	−1.3	−1.30	0.7027	92.9	June
July	13.9	0.8	−4.4	1546.2	99.5	12.3	−1.6	−1.06	0.7137	92.5	July
August	7.7	1.1	−2.4	1543.4	100.1	12.3	−1.6	−1.09	0.7219	92.0	August
September	11.3	−1.4	−1.4	1604.1	95.0	11.8	−1.3	−0.85	0.7428	88.2	September
October	12.4	0.1		1723.8	87.3	11.5	−1.4	−1.19	0.7969	80.8	October
November	10.8	−1.2		1687.0	88.7	11.4	−1.7	−1.50	0.8100	78.3	November
December	11.6	1.1		1747.5	85.6	11.5	−2.2	−1.93	0.7976	80.0	December
January 1993				1784.9	82.5				0.7809	80.6	1993 January

All trade figures are seasonally adjusted, except for the Italian series and the German current account. Imports can be derived by subtracting the visible trade balance from exports. Export and import data are calculated on the FOB (free on board) basis, except for German and Italian imports which use the CIF method (including carriage, insurance and freight charges). German data up to and including June 1990, shown in italics, refer to the former West Germany. The nominal effective exchange rates are period averages of Bank of England trade-weighted indices. Data supplied by Datastream and WEFA from national government and central bank sources.



Nigeria may need debt relief to secure democracy

MR ERNEST Shonekan, chairman of Nigeria's transitional council, faces an unenviable task. Six months is not long for the council, which will run the country under military supervision until an elected government is installed in August, to re-impose fiscal and monetary discipline and devise a credible medium-term economic strategy. But unless radical changes occur, and soon, Nigeria's new civilian government risks sinking in a mire of inflation, economic stagnation and civilian unrest.

Nigeria's return to democracy could hardly have come at a more difficult time. Over the past year, the scale of recent economic mismanagement has emerged. Domestic credit expansion doubled in the first nine months of 1992, compared to the previous year; annual inflation has risen to 45 per cent; the budget deficit has more than doubled since 1989 to over 12 per cent of GDP; and the exchange rate has collapsed, falling from 18 naira to the dollar a year ago to over 30 naira in last week's cancelled foreign exchange auction.

The transitional council has wasted little time. It has announced a three-year plan to reduce the fiscal deficit as a percentage of GDP to 3.3 per cent in 1995 and cut inflation to 5 per cent, hoping this will allow it to negotiate an extended structural adjustment facility with the IMF and reschedule Nigeria's external debts.

Yet Mr Shonekan must also persuade the civilian government to persist with IMF-style structural adjustment. Nigeria's own Structural Adjustment Programme (SAP), instituted in 1986, may have halted the decline in the country's fledgling manufacturing base. However there is little evidence to suggest it has stopped the fall in living standards that has persisted throughout President Babangida's seven-year military rule. The combination of falling oil prices and exchange rate depreciation has reduced average real income per head from $1,000 in 1980 to a mere $290 in 1991, making Nigeria one of sub-Saharan Africa's poorest countries, as well as its most populous.

Structural adjustment has been impeded by the debilitating drain on resources from Nigeria's external debt which has grown since the SAP began, as the upper chart shows. Nigeria's external debt stood at $27.6bn last year, about 100 per cent of Nigeria's GDP. Over 60 per cent of this debt is now owed to members of the Paris Club of government creditors, with the UK still the largest single creditor.

World Bank officials describe this debt burden as unsustainably high. Without rescheduling, interest payments would average $5bn a year in 1993-96, consuming 36 per cent of Nigeria's total export revenue compared to an average 19 per cent for all developing countries last year and 30 per cent for severely indebted countries.

Yet the Paris Club continues to treat Nigeria as a middle-income country, even though it is officially classified as a heavily indebted low-income country and qualifies for concessional debt relief. Debt rescheduling on middle-income country terms merely reduces the interest burden today by raising it in the future while leaving the debt stock little changed.

A sustainable solution requires outright debt reduction, either using the enhanced Toronto terms or the more generous Trinidad terms which were proposed in 1991 but have never been applied by the Paris Club. The Trinidad terms imply a a one-off reduction of two-thirds of eligible debt and an extended repayment period. But the cost of rescheduling Nigeria's debts on concessional terms exceeds that for the rest of sub-Saharan Africa combined.

The coming months are critical for Nigeria. The UK has said it will consider a unilateral application of the Trinidad terms if Nigeria can reach an IMF agreement. But without substantial debt relief, preferably linked to public sector reform to root out corruption, Nigeria has little chance of sustaining an IMF programme. The Shonekan government offers only a brief window of opportunity for western creditors to do a conditional deal with a non-elected civilian authority for the new elected administration to inherit. It is a chance which may not recur.

Edward Balls

Imperial Cancer Research Fund to test 'promising' gene therapy in patients later this year

Charity develops melanoma treatment

By Clive Cookson, Science Editor

THE IMPERIAL Cancer Research Fund plans to test a new genetic treatment for melanoma, *Europe's fastest growing form of cancer*, on patients later this year.

ICRF scientists said yesterday that their "gene therapy" had produced promising results in experiments with cell cultures and mice. They will apply next week for government approval to start human trials at the fund's Oxford Clinical Oncology Unit.

Melanoma is the most dangerous form of skin cancer. Its incidence in the UK is doubling every decade and it now kills about 1,300 people a year – many of them young adults.

Although melanoma can be *cured by surgery if it is caught* early, the later stages are usually fatal.

The gene therapy technique developed for melanoma could be extended to other untreatable cancers, said Dr Michael Crumpton, ICRF laboratories director. "We believe we have an exciting discovery with important clinical implications for the treatment of tumours."

The prospect of inserting killer genes into cancers is emerging as one of the most promising avenues of medical research. Several US teams are also developing gene therapy for cancer.

One distinctive feature *of the ICRF approach is its* simplicity. The British scientists inject their chosen genes, in the form of a few millionths of a gram of DNA, directly into the melanoma with a micro-syringe.

Their animal experiments suggest that this works as well as the more complicated American techniques, which involve removing cancer cells, inserting new genes by means of a virus and then putting the cells back into the patient. The ICRF uses two genes linked together.

One is a promoter gene (whose natural function is related to the production of melanin pigment in the skin). *Laboratory tests show that the* promoter will "switch on" other genes in melanoma cells but nowhere else in the body.

Now the scientists are hooking on to the promoter other genes that will provoke an attack on the targeted cells. The ICRF says the effect is like sprinkling a selective weed-killer over a lawn: the weeds die while the grass is unaffected.

They will try first a gene that instructs melanoma cells to make interleukin-2. The IL-2 will then stimulate the body's immune system to attack the cancer.

Simply injecting IL-2 into *patients has an effect on mela*noma but only at high doses which cause severe side effects. The ICRF team hopes that localised production of IL-2 will kill the tumour without causing damage elsewhere.

Prof Adrian Harris of the Oxford Clinical Oncology Unit expects to receive approval to start clinical trials before the end of this year. But gene therapy for cancer is unlikely to be widely available for five to 10 years.

Tensions increase over storage of imported N-waste

By Bronwen Maddox, Environment Correspondent

TENSION is rising between government departments over whether British Nuclear Fuels' Sellafield site will be used to store other countries' radioactive waste for many decades.

The trade and industry department, BNF's shareholder, received a report from the government's Radioactive Waste Management Advisory Committee before Christmas projecting that Sellafield could be used for long-term waste storage, but it has so far refused to discuss the implications with the environment department.

BNF has repeatedly rejected attacks that its controversial Thorp Park plant for reprocessing nuclear fuels, which has taken nearly 10 years and £2.8bn to build, would become a "nuclear dustbin". It argues that most of its contracts with overseas customers require them to take back the reprocessed waste.

The latest tension arises over BNF's little-publicised proposal of "waste substitution" – sending back to customers only the "radiological equivalent of their waste". Under this proposal, customers would take back a small amount of highly radioactive material, leaving large volumes of waste at Sellafield.

This is likely to be the only way in which Thorp could begin operating soon, as BNF wants. Japanese customers, who together with the Germans account for much of Thorp's order book, have made *preparations only to take back* a small amount of highly radioactive waste. While customers have said they are committed to their BNF contracts, some are increasingly apprehensive about taking back reprocessed waste because of costs and political sensitivity.

Environment department officials have been refused some details of BNF's customer contracts by the DTI on grounds of commercial confidentiality, making an assessment of long-term waste storage at Sellafield more difficult.

Before Thorp can begin operating it needs authorisation from the pollution inspectorate, which is unlikely to report before May.

Lloyd's writs likely this week

By Richard Lapper

MORE than 2,000 members of Lloyd's syndicates formerly managed by the Gooda Walker agency expect to serve writs against their agents early this week.

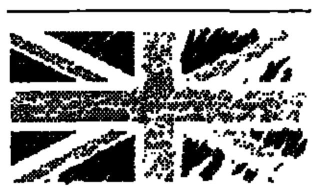
But there are strong indications that the prospects for an out of court settlement between about a dozen groups of loss making Names – the individuals whose capital backs the market – and their agents are receding. "The problem has some fairly intractable dimensions," said Mr Peter Middleton, chief executive of Lloyd's. "I don't have the power to impose a settlement."

Seven Gooda Walker syndicates lost more than £900m between 1987 and 1990, mainly due to their involvement in so-called "spiral" reinsurance business, in which syndicates and companies reinsure each others' exposures to high level catastrophe loss.

Some 2,000 Gooda Walker Names, some of whom face losses of more than five times the amount they deposited with Lloyd's, voted last November to take legal action against 67 agents who placed them with the Gooda syndicates. Mr Michael Deeny, an accountant and rock concert promoter, who chairs the Gooda Walker Names Action Group, said his group has raised more than £4m to finance the action.

Hopes of an out of court settlement were raised last October when Mr Middleton appointed a panel of Names and market professionals to examine the possibility of a deal. This would involve errors and omissions (E&O) insurers, who covered the agents against possible negligence claims. But the E&O insurers are themselves Lloyd's syndicates, and must satisfy their own Names that a settlement is also in their interests.

Britain in brief



Surveys find evidence of recovery

Evidence of the first increase in manufacturing activity in eight months is claimed by the Chartered Institute of Purchasing and Supply in its monthly survey today.

A separate survey of consumer purchasing intentions by Verdict Research, retail analysts, also says that its results for last month are the first to justify optimism in an economic upturn.

The institute attributes the improvements to stronger demand, increased sales and improved confidence. Devaluation continued to affect order books as a number of companies reported an increase in overseas orders.

Verdict says the most encouraging feature of its survey – which tracks consumers' intentions to purchase property, cars and large household items over the next six months – is the upturn in intentions to move house.

Dublin woos Unionists

Mr Dick Spring, Ireland's foreign minister, sought yesterday to woo Northern Ireland's Unionist leaders into fresh talks on the province by softening slightly his stance on Ireland's constitutional claim to the territory of the north.

He said that constitutional change "will be, if necessary, implemented", and that the Republic should be prepared to "change and look forward". Speaking on BBC television, Mr Spring said Articles 2 and 3 of the constitution, which refer to Northern Ireland, "are not set in bronze".

MPs support end of tax relief

The phasing-out of tax relief on home loans is supported by 55 per cent of backbench MPs, according to a survey from the housing charity Shelter.

Shelter says MPs of all parties endorse proposals, published today, for better-targeted help. The charity wants the government to accompany the ending of tax relief – which costs £5bn a year – with other arrangements to help the needy.

Salaries beat inflation

The rapid fall in the rate of inflation seems to have taken many companies by surprise, resulting in larger than intended salary increases for private sector managers, a survey of pay over the three months to January reveals.

The report, by the independent pay research group, Incomes Data Services, found that overall, managerial and professional salary rises averaged 3.7 per cent between November 1992 and January 1993, compared with an average of 4 per cent for the previous quarter.

BBC chief's tax scheme row

Mr John Birt, BBC director-general, is likely to continue to be paid as a freelance consultant rather than employee.

A senior BBC governor said he did not expect there to be any pressure from the board on Mr Birt to change his status despite revelations that Mr Burt's salary, believed to be between £135,000 and £140,000 in the year to August 1991, was paid gross to his private company. He was able to deduct more than £61,000 in expenses and pay income tax only on the £59,000 he was paid by John Birt Productions.

The move is seen as legal tax-avoidance and has apparently been accepted by the Revenue, but the revelation is likely to be controversial.

Cheque in post

About 65,000 Department of Employment staff are waiting this morning to see if the government will keep its promise that the cheque is in the post.

A computer error has left employees unpaid for last month. The cost will not be known until all affected employees have submitted claims for overdraft and bank charges, but the department will almost certainly have to absorb it from within its existing budget. The Treasury has shown no enthusiasm for baling out departments when they make mistakes.

Government plans to privatise Docklands Light Railway

By Richard Tomkins, Transport Correspondent

THE GOVERNMENT is planning to privatise the Docklands Light Railway, linking the City of London with Canary Wharf and Stratford in east London.

The move, to be announced shortly, is likely to reinforce suspicions that rail privatisation could extend beyond British Rail to smaller urban systems such as London Underground and the Tyne & Wear Metro.

Hcwever, the Department of Transport said that privatisation of the Docklands Light Railway would require separate legislation from the Railways Bill currently going through parliament.

Privatisation of the Docklands Light Railway was foreshadowed in the Conservative party's general election manifesto, which said the government would seek to privatise the railway during the lifetime of the present parliament.

The commitment had until *recently been regarded as lying* dormant because of the railway's notorious unreliability and because the failure of the Canary Wharf development meant it would carry far fewer passengers than expected.

However, it now emerges that the government is about to appoint the management consultancy arm of Ernst & Young, the accountants, to draw up a list of options for fulfilling the manifesto commitment.

If a stock market flotation or *outright sale is chosen*, the railway's new owners will require continuing subsidies because it costs six times as much to run as it collects in fares.

An alternative would be to privatise it in the same way as BR. That would mean inviting the private sector to bid for a franchise to operate the railway, with the contract going to the company requiring the lowest subsidy.

The Docklands Light Railway initially cost £77m to build. From its opening in 1987, *its performance* was seriously disrupted by an £800m expansion programme to cope with the greatly increased demands then expected to flow from the Canary Wharf development.

Embarrassment over the railway's poor performance resulted last year in the government's taking responsibility for the system away from London Transport and appointing a new management team headed by Sir Peter Levene, formerly chief of defence procurement at the Ministry of Defence. Since then, the railway's *performance* has significantly improved.

One reason why the government wants to press ahead with privatisation is because of the need to fund a proposed £130m extension of the railway from the southern tip of the Isle of Dogs to Lewisham in south-east London.

The government's intention is that the extension should be privately funded, and the simplest option for achieving that objective would be to get the line built by a private sector owner of the rest of the railway.

THE WEEK AHEAD

ECONOMICS

Focus turns to Germany and worries about interest rates and prospects

A RUSH of figures in Germany will turn attention this week to the state of Europe's biggest economy. Analysts are expecting the indicators – including industrial production, manufacturing new orders, and employment data – to confirm that the economy is "going nowhere".

Ms Alison Cottrell, international economist at Greenwell Montagu, suggests that "a barely changed level of industrial output in January on the month may look better than December, but it ranks poorly in comparison to rises of 5.1 per cent in January 1992 and 2.7 per cent in 1991".

Prospects for monetary easing after the Bundesbank's regular council meeting on Thursday will add to the interest in Germany although the market is divided over whether the central bank will cut officially posted rates.

Labour figures on Friday are forecast to show a fall in west German employment of around 20,000 reflecting the decline in manufacturing industry.

The following are some of the week's other economic highlights. The figures in brackets are the median of analysts' forecasts from MMS International, a financial information company.

Today: UK February M0 (up 0.6 per cent on month, up 4.6 per cent on year); Belgium, regular EC monetary committee meeting in Brussels; Germany, reduction in reserve requirements takes effect; US, January existing home sales, February NAPM index (58.4 per cent), January personal income (up 0.3 per cent), Q4 merchandise trade, January construction spending (0.5 per cent); Canada, December real GDP – factor cost (up 0.3 per cent on month), Q4 real GDP (up 2.7 per cent on quarter), Q4 consumption (up 1.1 per cent), Q4 GDP deflator (up 1.6 per cent on quarter), Q4 current account (C$27.5bn deficit); Australia, March current account (A$1.35bn deficit), January building approvals; Japan, December income – workers, January construction orders, January housing starts (up 5.1 per cent), January construction starts, February forex reserves, January wholesale prices index – second 10 days.

Tomorrow: UK, February official reserves (unchanged on month); Denmark, February forex reserves; Spain, Spanish parliament to debate unemployment; US, January leading indicators (down 0.2 per cent), January new home sales (645,000), Johnson Redbook week ended February 27; Japan, January unemployment rate; Australia, Q4 private capital expenditure.

Wednesday: US, January home completions, auto and truck sales February 21-28; Canada, February foreign reserves, December building permits; Spain, foreign, defence and treasury ministers from Spain and Italy meet, plus Italian prime minister Amato.

Thursday: Belgium, world finance conference, IMF president speech in Brussels; Germany, cabinet meets in Bonn to finalise Solidarity Pact proposals, Bundesbank council meeting in Frankfurt; US, initial claims week ended February 20 (325,000), state benefits week ended February 13, January factory orders (down 0.7 per cent), January factory shipments, money supply data for week ended February 22; Australia, Q4 stocks.

Friday: Germany, February vacancies – west (down 10,000), January employment – west (down 20,000), February unemployment – west (up 40,000), February unemployment – east (up 10,000), February short time work – east (down 4,500); Switzerland, February federal CPI; Netherlands, February CPI (up 0.3 per cent on month, up 2.4 per cent on year); US, February non-farm payrolls (up 121,000), February manufacturing payrolls (up 12,000), February hourly earnings (up 0.2 per cent), February average workweek, February unemployment rate (7.1 per cent), January consumer credit (up $1.4bn); Japan, January current account, January trade balance, January foreign bond investment.

During the week: Germany, January import prices (up 0.2 per cent on month, down 2 per cent on year), January manufacturing output (down 1 per cent on month), January industrial production (down 1 per cent on month), January manufacturing orders (down 1 per cent on month); Italy, January PSBR – cumulative (L11.8trillion), January hourly earnings; Denmark, January unemployment rate (11.8 per cent); Switzerland, February Zurich CPI; Japan, February trade balance, first 20 days.

Emma Tucker

RESULTS DUE

WILLIAMS HOLDINGS, the industrial conglomerate, is expected to have suffered a 5 per cent fall in pre-tax profits, from £168m to £160m, when it announces its full-year results on Thursday.

The company's exposure to DIY and aerospace markets are behind the likely slip in earnings per share to 20.1p (22.8p). The dividend is expected to be maintained.

Another round of write-downs on property and the Channel Tunnel contract is thought to have kept BICC's pre-tax profit flat at about £80m last year. It reports on Wednesday.

This time the cables and construction group is expected to provide for its Spitalfields joint venture among roughly £40m of charges. Although this will again leave the 19.25p total dividend uncovered, BICC said it would maintain it when it made a £154m rights issue last year. The proceeds went towards buying continental and US cables businesses and helped to reduce debt.

Two more composite insurance companies, General Accident and Guardian Royal Exchange, are expected to report sharply reduced losses this week.

Rising premium rates and milder weather are mainly responsible for the improvement at both companies, neither of which are heavily exposed to losses from domestic mortgage indemnity business. General Accident is expected to report a loss of between £20m and £30m tomorrow, compared with a deficit of £171.6m in 1991. On Wednesday, Guardian Royal Exchange could also report losses of between £20m and £40m, against losses of £209.7m in 1991.

Fisons, the drugs and scientific instrument group, reports its full-year results tomorrow. Analysts are unsure about the net impact of disposals during the last 12 months, which must now be carried above the line to conform to the new FRS3 accounting standard.

Lehman Brothers estimates the underlying business will report profits down from £190.5m last year to about £105m. This represents a 50 per cent improvement during the second half of the year. Followers will be watching for a statement about future prospects more than the historic results.

The 1992 results for Barclays will be announced on Thursday. These will be preceded tomorrow by Abbey National, and on Wednesday by Midland.

Barclays is expected to make a pre-tax loss of about £100m, and a retained loss of £500m-£600m after maintaining the final dividend. However, BZW is predicting a cut in the dividend.

Abbey National will make pre-tax profits of about £570m, and retained profits of about £200m. Its provisions for possible bad debts are expected to double to about £320m, reflecting the depressed UK housing market.

Midland is expected to show the effect of a significant tightening of its provisions for possible bad debts to about £700m for the year compared to £903m in 1991. This is expected to boost pre-tax profits to about £200m from £36m.

UK COMPANIES

■ TODAY
COMPANY MEETINGS:
Alvis, Abraham Lincoln Room, Savoy Hotel, WC., 12.00.
Dewhurst, Melbourne Works, Inverness Road, Hounslow, Middlesex, 11.00.
BOARD MEETINGS:
Finals:
ASW
French Property Tst.
Lilleshall

■ TOMORROW
COMPANY MEETINGS:
Bradstock Group, Hyde Park Hotel, 66 Knightsbridge, SW. 12.00
Torex Hire, Plymouth Moat House, Armada Way, Plymouth, Devon. 11.30.
BOARD MEETINGS:
Finals:
Abbey National
Allied Irish Bank
Billam (J.)
Brent Chemicals
Burnfield
Fisons
General Accident
Harrington Kilbride
Isotron
Kalon
Pacer Systems
Sarco
Vivat
Interims:
Hays
Paramount
Pifco
Raine
William Sinclair

■ WEDNESDAY
MARCH 3
COMPANY MEETINGS:
Blick, Blick House, Bramble Road, Swindon, Wilts. 12.00.
BOARD MEETINGS:
Finals:
BICC
BWD Secs.
CRH
Courtaulds Textiles
Cowie (T.)
Grosvenor Dev. Cap.
Guardian Royal Exchange
Metal Bulletin
Midland Group
Redlus
Stat-Plus
TR High Income Tst.
Trans World Comms.
Interims:
Fleming Emerging Markets
Gent (S.R.)
Linx Printing Tech.
Savage

■ THURSDAY
MARCH 4
COMPANY MEETINGS:
Chiltern Radio, Farbon Room, National Farmers Union, 55 Goldington Road, Bedford, Beds., 10.00.
First Philippine Inv. Tst., Knightsbridge House, 197 Knightsbridge, SW., 10.30.
BOARD MEETINGS:
Finals:
Anglo Am. Inds.
Barclays Bank
Bilston & Battersea
Boddington Group
Braime (TR & JH)
Ferry Pickering
Hambro Countrywide
Ladbroke
Lloyds Smaller Co. Tst.
MTL Instruments
Penlos
Philips Electronics
Scans
Suntt
Unidare
Wessanen (Koninkl)
Williams Hldgs.
Interims:
Brierley Inv.
Galliford
Intereurope Tech. Serv.
Renishaw

■ FRIDAY
MARCH 5
BOARD MEETINGS:
Finals:
Latin American Inv. Tst.
Murray European Inv. Tst.
Interims:
British Data Management

Company meetings are annual general meetings unless otherwise stated.
Please note: Reports and accounts are not normally available until approximately six weeks after the board meeting to approve the preliminary results.

PARLIAMENTARY DIARY

■ TODAY
Commons: Welsh, Attorney General's and Overseas Development questions. Debate on Welsh affairs.
Lords: Trade Union Reform and Employment Rights Bill, second reading. Debate on Animal Procedures Committee report.
Select Committee: 4.30pm, Public accounts: subject – statutory sick pay and statutory maternity pay. Witnesses: Sir Michael Partridge, permanent secretary department of social security, and Miss Ann Chant, chief executive, contributions agency.

■ TOMORROW
Commons: Education questions. Questions to the Prime Minister. Education Bill, report.
Lords: Asylum and Immigration Appeals Bill, report. London Docklands Development Corporation Bill, second reading.
Select committee: 10.30am, Health: subject – London's health service. Witness: Mrs Virginia Bottomley, health secretary.

■ WEDNESDAY
Commons: Scottish questions. Education Bill, remaining stages. Debate on Local Government Finance (England) Special Grant Report.
Lords: Debates on rural areas' social and economic needs and the building industry.
Select committees: 9.15am, Environment: subject – Housing Corporation. Witnesses: Association of District Councils and Association of Metropolitan Authorities.
10.30am, Trade and Industry, subject: trade with Europe. Witnesses: Department of trade and industry officials including a representative from single market compliance unit and Customs & Excise.
10.45am, Welsh Affairs: subject – preservation of historic buildings and ancient monuments. Witnesses: Council of Welsh Districts, Church in Wales and Free Churches Council for Wales.
10.50am, Defence: subject – UK peacekeeping and intervention forces: air forces. Witnesses: MoD officials.
4.10pm, Education: subject – special educational needs. Witnesses: Prof K. Wedell and Ms Ingrid Lunt, National Curriculum Council (at 4.35pm), Independent Panel for Special Educational Advice (at 5pm).
4.15pm, Employment: subject – import and export of jobs. Witnesses: GEC, Society of British Aerospace Companies.
4.15pm, Health: subject – community care. Witnesses: National Council for Voluntary Organisations, Joint Care Council.
4.15pm, Public Accounts: subject – health services for physically disabled people. Witness: Sir Duncan Nichol, chief executive, NHS Management Executive.
4.45pm, Home affairs: subject – juvenile offenders. Witnesses: Association of Chief Officers of Probation, National Association of Probation Officers, Association of Directors of Social Services and British Association of Social Workers.

■ THURSDAY
Commons: Treasury questions. Questions to the Prime Minister. European Communities (Amendment) Bill, committee.
Lords: Clean Air Bill, third reading. Radioactive Substances Bill, third reading. Charities Bill, third reading. Asylum and Immigration Appeals Bill, report.
Select committee: 10.30am, National Heritage: subject – privacy and media intrusion. Witnesses: M. Jacques Vistel, member of the Conseil d'Etat, French Republic, former members and officers of Press Council.

■ FRIDAY
Commons: Debate on crime and crime prevention.
Lords: Not sitting.

DIVIDEND & INTEREST PAYMENTS

■ TODAY
Abbey National Treasury Servs 13⅜% Gtd. Nts. 1995 £133.75
Aberdeen (City of) 10.80% Rd. 2011 £5.40
Ahmanson & Co. $0.22
Amax $0.10
American Brands $0.4925
American General $0.55
Automated Security 5% Cv. Cm. Rd. Pf. 2.5p
Bank of New Zealand 11⅜% Cap. Nts. 1993 $568.75
Barclays Bank Non-Cm. US$ Pf. Ser. A $0.52125
Do. Ser. B $0.50975
Do. Ser. C1 $0.421875
Do. Ser. C2 $0.105475
Do. Units $0.52735
Do. N.C. Dollar-Denominated Pf. Ser. D1 $0.43125
Do. Ser. D2 $0.10781
Do. Regd. Ser. D pf. Units $0.53906
BP America 9¾% Gtd. Nts. 1999 $487.50
Casket 0.3p
Commerzbank Overseas Finance 10¾% Nts. 1994 £107.50
Coventry Bldg. Society 12⅛% Undated Man. Cv. Sub. Nts. £6.0625
Daiei 6.375% 2000 Y637,500
Danae Inv. Tst. Income 3.375p
Dixons 1.6p
Dobson Park Inds. 3.65p
East Surrey Hldgs. 7¼% Rd. Db. 1991/93 £3.625
do. 10% Rd. Db. 1997/99 £5
Exportfinans 8¾% Nts. 1996 Ecu87.50
Electric & General Inv. Co. 9% Db. 1989/94 £4.50
Electricite de France 12½% Gtd. Ln. 2008 £312.50
ENSERCH $0.05
Farepak 1.65p
Fleming Claverhouse Inv. Tst. 3.2p
Fleming Mercantile Inv. Tst. 3½% Rd. Db. 1990/95 £1.75
Fletcher King 0.6p
Ford Motor $0.40
Do. BDR $0.02
Forsmarks Kraftgrupp 9⅞% Gtd. Nts. 1996 Ecu98.75
French Property Tst. 1p
Halifax Bldg. Society 12% PIBS £3000
Honda Motor 5¼% Cv. bds. 1998 $131.25
Do. 5½% Cv. Bds. 1997 $137.50
Hydro-Quebec 6⅝% Deb. Ser. GE 1994 Y66250
Ingersoll-rand $0.175
IBRD 10% 1999 £100
Do. 11¼% Nts. 2001 £111.25
Jessups 7.3p Cv. Rd. Pf. 3.65p
Lockheed $0.53
London (Corp. of) 3½% Db. 1983/93 £1.75
London (County of) 2½% Cns. £0.625
Do. 3% Cns. £0.75
Low & Bonar 6% 1st Cm. Pf. 2.1p
Do. 6% 2nd Cm. Pf. 2.1p
Do. 5½% 3rd Cm. Pf. 1.925p
Lucas 6½% Cm. 1st Pf 2.275p
Lynx 0.75p
Merchant Retail 0.35p
Metropolitan Water 3% 1934/2000 £1.50
Mexico (Utd. Mexican States) 16½% Ln. 2008 £8.25
National Home Loans Sec. Fltg. Rate Nts. 1995 $2.32
Northumbrian Water 7.5p
Oldham Metropolitan Borough Council 11.25% Rd. 2010 £5.625
OMI Intl. 0.75p
Peninsular & Oriental Steam Nav. 3½% Deb. £1.75
Do. 3½% 2nd Deb. £1.75
Racal Electronics ADR $0.053
Redland Universal Funding 14¾% Gtd. Nts. 1995 A$147.50
Republic of Italy 9⅝% Nts. 1999 $962.50
Richards 2.93p
River Plate & General Inv. Tst. 5% Cm. Pf. £1.75
Sainsbury (J.) 8% Irred. Uns. Ln. £4
Do. 12¾% Nts. 1995 £127.50
Schneiders (S. & Son) 6% Cm. Rd. Pf. 2.1p
Security Services 4½% Cm. Pf. 1.575p
Seiyu 7¼% Cv. Bds. 1996 £36.25
Slough Estates 8.25p Cm. Cv. Rd. Pf. 4.125p
Symonds Engineering 0.15p
Transcanada Pipelines 16½% 1st Mort. Pipeline Bds. 2007 8.25p
Union Carbide $0.1875
United Kingdom 8¾% Treas. Ln. 1997 £4.375
Do. 14½% Treas. Ln. 1994 £7.25
Welsh Water 7.8p
Williamson Tea Hldgs. 10p
Witan Inv. Co. 8% Deb. 1995/99 £4
Wolseley 10% Deb. 1990/95 £5

■ TOMORROW
British Airways 10% 1998 £100
General Motors Acceptance Canada 11% Nts. 1994 C$110
Local Authority Short-Dated Bds 10¼%, 1993 £5.2935
Marubeni Intl. Fin. 5% 1993 Y500,000
State Bk. of New South Wales Puttable Adjustable Rate Nts. 1994. A$76.13

■ WEDNESDAY MARCH 3
Fuji Bk. Intl. Fin. Fltg. Rate Nts. $1,212.50
Gold Fields of South Africa R0.70
LETINVEST 10¼-11¼%. Stped. Int. First Mort. Deb. 2012 £5.625Marubeni U.K. Step-Down Coupon Nts. 1994. Y773,200
Nippon Telegraph & Telephone 9⅝% Nts. 1995 $937.50
Norway (Kingdom of) 8¾% Nts. 1993 $837.50
United Kingdom 9% Conv. 2000 £4.50

■ THURSDAY MARCH 4
American Express Credit 8% Dual Currency Yen Red. Bds. 1996 Y80,000
Associated British Foods 5.5p
Exmoor Dual Inv. Tst. Income 2.5p
Grainger Tst. 4.05p
South West Water 7.8p
Woolwich Bldg. Society Fltg. Rate Nts. 1996 £180.15

■ FRIDAY MARCH 5
Aberforth Smaller Co. Tst. 2.5p
Aberforth Split Level Tst. Uts. 2p
Do. Income 3p
Australia (Commonwealth of) 10¼% 1997 £102.5
Boeing $0.25
Finland (Rep. of) 10⅛% 1997 £101.25
Gillette $0.18
G.T. Japan Inv. Tst. 0.4p
Guaranteed Export Fin. 7⅝% Gtd. Nts. 1997 $762.50
Neotronics Tech. 1.75p
Northern Foods 3.4p
Prism Leisure 0.9p
River & Mercantile Extra Income Tst. 1.96875p
Southern Business 2.23p
THORN EMI 9p

■ SATURDAY MARCH 6
Bank Of Greece 10¾% Ln. 2010 £5.375
Dares Estates 8% Uns. Ln. 1992/97 £4
Joseph (L) 9¼% Uns. Ln. 1997/2002 £4.625
Waddington (John) 10½% Deb. 1990/95 £5.25
Whitbread 9¾% Rd. Deb. 1991/96 £4.875
Yorkshire Chemicals 10% Deb. 1991/96 £5

Research facility in Hampshire

MATTHEW HALL has won a £12.7m building engineering services contract for the new centre for deep sea oceanography in Southampton.

Working for main contractor, Wimpey Construction UK, Matthew Hall has been called in to supply and install the mechanical, electrical, public health and fire engineering services.

The 25,000 sq metre building is being jointly funded by the Natural Environment Research Council and the University of Southampton and will house laboratories, offices, workshops, lecture theatres and other service facilities.

Superstore

TRAFALGAR HOUSE CONSTRUCTION has been awarded three contracts worth a total of £14m. The largest is for a 70,000 sq ft Tesco superstore on Barnes Wallace Drive at the Brooklands Business Park, near Weybridge. Consisting of a steel frame with external brick cladding and a slate roof, construction work will also include a 16 pump petrol station and 700 parking bays.

In Wales the company has won a design and construct contract worth nearly £5m from the Wales and West Housing Association for 123 houses and flats.

Water networks

North West Water has signed long-term consultancy contracts with three specialist engineering design companies. The contracts, which will govern work in the wastewater network field, are thought to be a first in the British water industry.

The three companies, PARKMAN CONSULTING ENGINEERS, ALLOTT AND LOMAX CONSULTING ENGINEERS and ACER CONSULTANTS, will work with North West Water's 150-strong team of wastewater network engineers based at Chadwick House, Warrington.

Over an initial three-year period they will develop compatible working practices, improving efficiency, and engineering methods and techniques.

Waterloo Station project

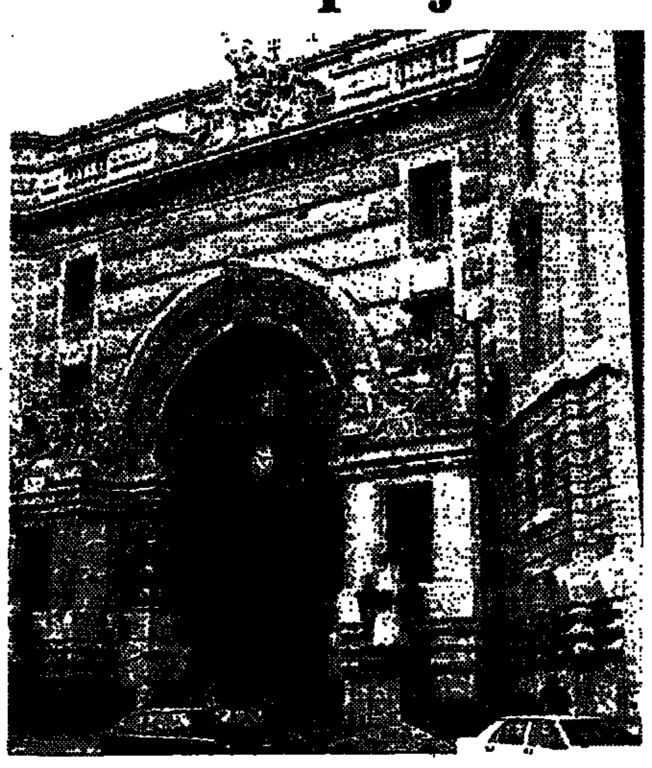
BOVIS CONSTRUCTION has begun work on a £20.85m design manage construct contract to refurbish a four-storey office building for British Rail at Waterloo Station.

With the offices situated above the main entrance to one of London's busiest stations, the P&O company's project team faces the task of stripping out the interior and refurbishing the building through very restricted access, alongside a pedestrianised station concourse and a taxi cab access road.

A continuous planning dialogue between British Rail and Bovis will ensure that minimal disruption is caused to the *250,000 commuters who pass* beneath the building every day.

The Bovis team has just 16 months to create three office suites, each providing about 60,000 sq ft of lettable office space. Whilst the majority of the floor area will be of an open plan design, at least 10 per cent will be cellularised.

As well as the structural alterations and additions, Bovis will be managing the fitting out for British Rail tenants.



These include British Transport Police, for whom a new police station is being created, and European Passenger Services, a subsidiary of British Rail.

Internally, each building will feature raised floors, suspended ceilings, carpets and partitions. New services, including power, heat and air conditioning, will be installed within ceiling voids.

£37m motorway improvement scheme

The Secretary of State for Transport has awarded BALFOUR BEATTY CIVIL ENGINEERING the contract for the widening of the M6 motorway improvements between junctions 30-32, in Lancashire, valued at £37.5m.

The works comprise the widening of the dual three-lane M6 motorway, between junction 30, which is the interchange between the M6 and the M61 at Blacow and junction 32 at the interchange between the M6 and the M55 at Broughton, to dual four-lane motorway standard.

The work will be achieved by a combination of asymmetrical and parallel widening with a short section of off-lane replacement.

Extensive environmental features include earth mounding and noise attenuation measures.

Junctions 30 and 31 will be remodelled. Junction 31 is the junction of the M6 with the A59 and will include the realignment of the trunk road and roundabouts together with two new slip road bridges over the River Ribble.

A new underbridge, together with provision for new south facing slip road stubs associated with a possible future junction 31A, are to be constructed.

In addition, 15 bridges will be either demolished, demolished and reconstructed, widened and redecked or refurbished and extended. Hard shoulders, which have discontinuities at all bridges, will be made continuous throughout.

Scheduled for completion in December 1994, the project also involves new lighting and motorway signalling erected on gantries.

The consulting engineer for the development is Rendel, Palmer and Tritton.

Residential accommodation in Dubai

Tilbury Douglas Construction's partner in Dubai, KHANSAHEB CIVIL ENGINEERING L.L.C. has recently been awarded contracts totalling £50m.

The £23m Wafi residential building will provide 11 floors of apartments including a penthouse suite, and commercial facilities on the ground and mezzanine floors. A central atrium area will incorporate three panoramic lifts. The project's clubhouse and leisure centre will house squash courts, changing facilities, a multi-gym, a restaurant, a function room and bars. Its terrace will overlook a landscaped area and pools leading out to the tennis courts.

Other contracts include a 22-storey commercial building, facilities for the Jumeirah American High School, and an extension to Jebel Ali port.

Erskine gets on the mobile

Mars was marvellous for Peter Erskine but the call of the portable phone proved compelling and he has just been appointed director of BT's Mobile Communications division.

Erskine, 41, describes it as an opportunity to take a leading role in one of the few markets which are booming at the present time. The division, 700-people strong, deals with BT's cellular telephones and radio pagers, serving more than 600,000 customers.

A marketeer by training and inclination, Erskine clearly relishes the prospect of competing against Vodafone and a host of new entrants to what is one of the fastest moving high technology markets. "My job is to make sure we take a leading share of this market," he says.

The portable phone business will be revolutionised over the next few years as personal communicators using digital transmission replace today's mobile telephones.

Erskine went to Liverpool University where he read psychology before learning the essentials of sales and marketing with Colgate Palmolive. He then worked for companies in the Mars group, ending up as vice-president for Mars Electronics International. A brief interlude with Unitel, now part of Mercury, kindled his enthusiasm for mobile phones: "The challenge is using consumer marketing techniques in a area where they have not been used extensively before," he says.

■ **The family ties which have bound the descendants of George and James Weir to Scotland's biggest and most successful engineering company for more than a century are slowly unravelling. George Weir, a 52-year-old great grandson, has retired after 20 years on The Weir Group board, leaving his brother, Viscount Weir, 59, as the sole remaining member of the family involved in the business. Viscount Weir has been chairman since 1972, apart from a brief gap in the early 1980s when the company ran into financial problems and Lord Tombs took the chair.**

■ **Ronald Garrick, md and chief executive at Weir, has been appointed a non-executive director at Shell UK.**

■ Daks Simpson, the clothing manufacturer and retailer, has made two new appointments to its board as part of the continued reorganisation since its takeover by Japan's Sankyo Seiko in 1991.

Colin Campbell, who joined Daks in 1975 and became group company secretary in 1976, has become a group director with responsibility for legal, administrative and personnel matters. Don Ruffle, who joined Simpsons of Piccadilly in 1961 as a buyer and was latterly marketing director of the group's Invertere casual and rainwear division, has become group merchandising director and a board member.

Daks says the appointments reflect the desire to have all important group functions represented at board level.

Wim Van Overdijk, an outside director since 1989 who advised Daks on design and technical matters, has resigned to pursue his other design and manufacturing interests, including his company Design House in the Netherlands.

Finance moves

■ **Robert Timms**, 47, has taken over as personnel director at brokers UBS Phillips & Drew, replacing Chris Cawcutt who resigned last September shortly after Terry Smith was sacked as head of research.

Timms, who has been Smith New Court's executive director in charge of personnel since October 1989, is a career personnel man, unlike many of his contemporaries in other City firms. He spent his early career in industry with Burroughs and then Cyanamid of Great Britain, before joining Chase Manhattan where he was the European human resources chief.

■ **Mike Davis** has been promoted to md of BARCLAYS COMMERCIAL SERVICES; he replaces **David Storey** who becomes director of the bank's south east regional office.

■ **Graham Ross Russell**, chairman of Emap, has been appointed to the board of FOREIGN & COLONIAL PEP INVESTMENT TRUST.

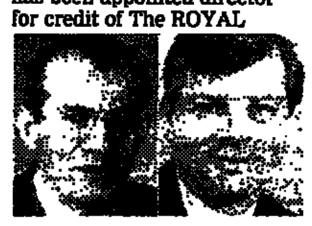
■ **Roger Kuhnel** has been appointed a director of PSIT PROPERTIES, a subsidiary of Property Security Investment Trust.

■ **David Courtney**, director of European operations for First Continental Trading, has been appointed marketing director of OM LONDON.

■ **John Ainsworth, Lesley Buckett, Alan Brunsden** and **Peter Jones** have been appointed directors of HILL SAMUEL Investment Management.

■ **George Kalorkoti** (below left) has been appointed divisional director at BIS Information Systems, a subsidiary of NYNEX.

■ **Alan Dickinson** (below right) has been appointed director for credit of The ROYAL BANK OF SCOTLAND's branch banking division.



■ **David Webb** has been appointed a director of Cantrade Investment Management, a subsidiary of Bank Cantrade.

■ **Nicholas Chamberlen**, chairman of Clive Discount and a former chairman of the London Discount Market Association, has been appointed a director of IMPERIAL GROUP Pension Trust.

■ **Laurie Faulkner**, formerly a director of Kleinwort Benson Securities, has been appointed senior vice-president at FIDELITY BROKERAGE.

■ **John Fitch** has been appointed deputy chief executive, **John Purdy** director, treasury and regulation, and **Alistair Beeston** director, group risk management, at LOMBARD NORTH CENTRAL.

■ **Paul Hancock**, formerly chief executive of Security Pacific Holdings, has been appointed sales and marketing director of International Factors, part of LLOYDS BANK.

Anderson: Bank of England to Bank of Egypt

One of the perks of working for The Bank of England is that its former executives tend to get snapped up by foreign banks keen to make the right impression on the authorities. In the 1970s, before foreign exchange controls were abolished, there was a heavy trade in retired Bank of England officials who knew their way around the forex markets. Nowadays, former members of the Bank's supervisory staff seem most in demand.

The latest ex-Bank of England official to resurface in the Square Mile is John Anderson, 56, a former deputy head of banking supervision. He has joined the board of the newly formed National Bank of Egypt International and has been given the job of chairing its audit committee whose job is to make sure that the bank's executives don't go off the rails.

The National Bank of Egypt is the biggest of Egypt's state-owned banks and has operated in London for more than a decade. However, it has set up National Bank of Egypt International to take advantage of the European Commission's second banking directive which allows UK-authorised banks to do business in an EC country without the need to get the permission of the supervisor in that other country.

Nabil Ibrahim, a former National Bank of Egypt chairman, has been appointed chairman of the new London bank, and other board members include Mahmoud Abdel Aziz, chairman of the National Bank of Egypt, Kazem Barakat, the Egyptian bank's senior man in London, and John Harding, the general manager who joined from Turkey's Akbank last July.

MANAGEMENT

Richard Lapper reports on General Accident's "inside-out" transformation

Stripped and ready

It's 16.32 on a Friday afternoon. The electronic indicator board high on the wall of General Accident's new Glasgow offices shows that 1,365 calls have been handled by the claims staff of the country's second-biggest insurance company. Five staff are on the phone dealing with customers' inquiries.

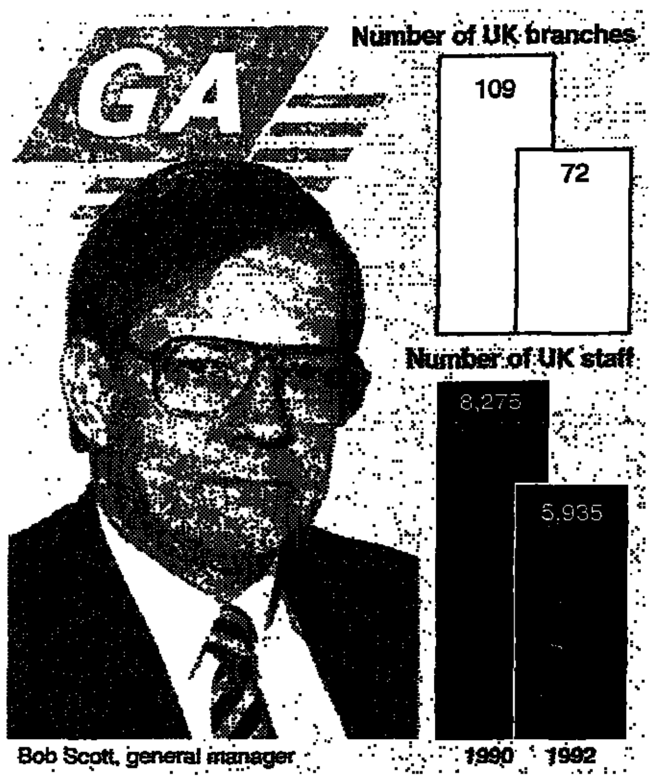
No calls are waiting to be answered, a pleasing statistic for Alistair Waters, at 32, one of a new generation of insurance managers at the UK's second-biggest insurance company. He says that 96 per cent of calls are handled within three seconds and most claims are handled within two days.

It is a far cry from the recent past when it could take General Accident weeks to respond to its policyholders. But, in common with other insurers, GA is changing its ways, overhauling its traditional bureaucratic organisation in order to transform relationships with its customers.

Stung by losses of more than £2bn in 1990 and 1991 and spurred by new competitors who have been quick to take advantage of new technologies, the UK's biggest insurers have slashed jobs, reducing numbers by up to a third in some cases.

But there is more to the industry's reorganisation than a simple reduction in headcount. In many companies whole layers of middle management have been removed, while new responsibilities are being given to lower-grade staff. Status-conscious hierarchies are giving way to flatter, more responsive and more goal-oriented businesses.

The changes are all the more striking at General Accident because the company has long



Bob Scott, general manager

been one of the industry's most conservative, dominated by generations of Scottish actuaries. Yet two years of losses have underlined the need for change, which has quickened since the departure of Buchan Marshall, the former chief general manager, who left at the end of 1989. One of the main aims of the reorganisation – orchestrated by the head of UK operations, Bob Scott – has been to improve the speed with which claims are paid, as well as the quality of back-up services and complaints procedures.

Such changes have had an important influence on the organisation's culture, with the company shifting from what Scott calls an "administrative-centred" approach to one based on "long-term customer service", heavily influenced by the experience of companies such as Toyota. GA has been turned "inside out", says Ray Andrews, a former Saatchi and Saatchi executive, recruited in 1990 to head an overhaul of GA's internal communications.

Scott explains how management and organisational changes have paved the way for much more rapid handling of claims. "The goal is to handle all claims within five days," says Scott. Five years ago "a claim would have been processed by the clerk, sent to the under manager, then the manager to be checked and finally back to the clerk. The whole process could take weeks," says Scott. "You could justify the old system on the grounds that it guaranteed accuracy. But it destroyed people's initiative."

Under the new system GA's lower-grade claims staff have been given more responsibility to carry out basic tasks. "They have to get it right. They are responsible," says Scott.

Computers have helped. Over the past three years, GA has abolished its typing pool and has weaned staff away from the use of paper files. Staff at GA's "new model" office in Dundee – where the new systems were first introduced – make extensive use of computer training techniques, as part of a programme which equips them to handle all aspects of insurance transactions – underwriting, claims and accounts, and the like – instead of the much narrower focus of the past.

While lower-grade staff are being asked to be more responsible, managers are under pressure to take a more active interest in the development of the company's business.

For a start there are fewer of them. Scott has pushed through a radical overhaul of GA's branch structure, replacing over two thirds of the company's 60 or so branch managers. A middle management position, responsible purely for office administration, has been scrapped.

Relieved of many of their control and checking functions, managers are being encouraged to develop areas of new business. John Munro and his management team in Dundee, for example, are examining ways of persuading motor policyholders to take out home or creditor insurance.

"There is much more emphasis on accountability," says Munro, who runs the group's Dundee office. "We have much more headroom and much more room to take initiatives." There are now six management layers, against eight previously, improving the company's responsiveness and increasing the opportunities for younger managers such as Waters and Munro to rise within the organisation, where promotion is no longer tied to seniority and time serving.

Performance-related pay is becoming common and information about the company more widely disseminated. In the past, middle management has seen its control over information as a source of power, says Scott. By contrast GA senior management now report details of the company's performance.

All this is good news for younger managers such as Waters, who began working with GA 13 years ago at the group's offices in Ayr and began building up GA's direct motor subsidiary at the age of 29, a position of prominence unimaginable for a young manager even 10 years ago.

"Everyone is on first-name terms," says Waters. "We are trying to develop an operation that downplays concern for status. It's much more open – more frank and more goal-orientated than in the past. All the layers have been taken away. All the bullshit has gone."

When employees rate their superiors

Adrian Furnham on appraising your boss

More and more organisations subscribe to the fundamental ideas of performance management. All employees should be given regular feedback on their job performance. And these ratings are often tied – in some loose way – to promotions, merit pay, sideways moves, or are used more simply for training purposes. Some organisations determine pay increments by these ratings so that salary is not decided by collective bargaining but rather by rated, individual effort. Performance management means true meritocracy.

For performance management to work, appraisals need to be seen to be accurate, fair, sensitive and reliable. For most corporations, employees are rated by their bosses on criteria such as time-keeping and contribution to innovation. In effect this means once or twice a year a manager must fill out a rating form on his or her employees. Some managers may have to appraise many subordinates, which leads to certain problems – do the managers know all their staff? How much time does it take to appraise so many? What about problems of favouritism?

Innovative organisations have found a simple, radical solution to these problems. In the UK, BP, British Airways and Central Television among others are changing their methods. Employees are not rated by their superiors but by their subordinates. Not top-down but bottom-up. Simple and democratic though it is, the idea puts the fear of God into many managers.

What can be gained from this method? The following points have arisen from work in Cathay Pacific Airlines.

- Subordinates tend to know their superior better than superiors know their subordinates. They see their bosses and know their moods, foibles and preferences, their adequacies, skills, strengths and limitations and things they do and do not like doing.
- As all subordinates rate their managers statistically, these ratings tend to be more reliable – the more subordinates the better. Instead of the biases of individual managers' ratings, the various ratings of the employees can be converted into a representative view. If the employees have very differing views of their bosses this can present problems, but represents very significant data meriting further investigation.
- Subordinates' ratings have more impact because it is more unusual to receive ratings from subordinates. It is also surprising to bosses because, despite protestations to the contrary, information often flows down organisations more smoothly and comfortably than it flows up. When it flows up it is qualitatively and quantitatively different. It is this difference that makes it valuable.

What are the dangers of converting the appraisal system to a bottom-up approach?

Some employees might hesitate to give a frank and fair appraisal of their boss for fear of reprisal. On the other hand, employees may be unused to giving either negative or positive feedback. This can be observed by a "halo effect" where bland, safe-ratings, half-way up the scale are given. However, an anonymous rating might lead some employees to be vindictive, for example to a boss who is pushing staff to do better. Such a rating would easily be detected however, because it would differ significantly from other ratings.

There are also greater costs involved. More forms have to be processed, probably by computer programme, than in the top-down method. But there are now companies such as Pilat of Israel, or Forum (Europe), a US company, which have written the software for this type of analysis. Subordinates also need training on how to rate individuals without falling into some of the well-known traps. Training courses, paperwork and computing software cost money.

Do the benefits, costs and risks outweigh the dangers and disadvantages of the bottom-up system? The fact that such innovative companies have persisted with these methods indicates they believe it has benefits.

To some extent initial enthusiasm has been tempered, as in the case of BA, but it is recognised that working well, the bottom-up system is efficient and equitable. To put in place the performance management system an organisation needs to trust staff to be honest, fair and constructive. It also needs to pay more than lip service to the idea that communication is a two-way process. More importantly it needs to be willing to act on the ratings of subordinates. This takes some courage and for multinationals, real culture change.

The bottom-up approach is the first step in the process of taking staff opinions seriously and allowing staff to influence the organisation. The management toast for the successful go-ahead service-related business is a good one, not "down the hatch" but "bottoms up".

The author is head of University College London's Business Psychology Unit.

Helping with Aids

Picture the scene: a jack collapses in a repair workshop, a mechanic is trapped under a car and there is blood everywhere. The mechanic is known to be gay. No-one wants to touch him in case he has got it – Aids. The first-aid kit cannot be found and the victim screams for help while his workmates freeze in horror and indecision.

This chilling sequence of events – played by actors in this instance, but only too plausible – comes from a training video from the Terrence Higgins Trust, in partnership with a group of blue-chip employers. Companies which have given their backing to the training project include IBM, Marks and Spencer, Unilever, Kingfisher and WH Smith.

The project has also published a training manual and briefing notes, covering basic medical information, recruitment issues, confidentiality, pensions, first aid and travel abroad.

Separately, the Society of Occupational Medicine has also produced a booklet which covers some of the same ground and serves as a good introduction to the subject.

European companies have been slower than their US counterparts to draw up policies covering HIV and Aids and educate their workforces. A degree of complacency, even, has crept in. This latest batch of training material will help to reawaken interest in the issue.

HIV and Aids: Positive Management. Complete training package £149 plus VAT. Briefing notes available separately £5. From: The Sales Unit, The Industrial Society, 49 Calthorpe Road, Edgbaston, Birmingham B15 1TH. Tel: 021 454 6769.

What employers should know about HIV and Aids. Available free (send a large SAE, 74p postage) from: The Society of Occupational Medicine, 6 St Andrews Place, London NW1 4LE

Diane Summers

LEGAL NOTICES

Insolvency Act 1986

BALA TRADING LIMITED
(IN ADMINISTRATIVE RECEIVERSHIP)

Notice is hereby given that a meeting of the creditors of the above named company will be held under the provisions of Section 48 of the Insolvency Act 1986 at Becket House 1 Lambeth Palace Road, London SE1 on 15 March 1993 at 11.00 a.m. for the purposes mentioned in S48(2) and S49 of that Act. Creditors whose claims are wholly secured are not entitled to attend or to be represented at the meeting. Creditors who intend to vote at the meeting should note the following: (a) Written statements of claim must be lodged with the administrative receiver by 12 noon on the day before the meeting at Ernst & Young Becket House 1 Lambeth Palace Road London SE1 7EU. (b) Proxies for use at the meeting must also be lodged with the administrative receiver.

T C Carter
Administrative Receiver
Date: 24 February 1993.

Notice of Appointment of Joint Administrative Receivers

WINE & LEISURE LIMITED

Registered number: 1855210. Trading name: Shelly's Laserdome. Nature of business Nightclub. Trade classification: 39. Date of appointment of Joint Administrative Receivers: 18 February 1993. Name of person appointing the joint administrative receivers: Allied-Lyons Breweries Limited. John Frederick Powell and Ian Napier Carruthers Joint Administrative Receivers (Office holder numbers 2695 and 6682)

Coopers & Lybrand
43 Temple Row
Birmingham
B2 5JT

Mount Banking Corporation Limited
(In Administration)

Depositors of the company may, subject to certain exceptions, withdraw the lesser of 10% of the total of their balances appearing in the company's records or £10,000. Application forms may be obtained from the Administrators at 5 Mount Street, Mayfair, London W1Y 5AA.

CONFERENCES

Architectural free-for-all

Earlier this month the government published a report by a Mr John Warne (an assessor appointed by the Department of the Environment) that reviewed the Architects' Registration Acts from 1931 to 1969.

This slim, blue and grey document, published by Her Majesty's Stationery Office at £6.50, is not on the current bestseller lists – which is hardly surprising because it deals with the pretty arcane subject of the legal registration of the title "architect". But in some quarters it is seen as a small bombshell that completely changes the nature of professionalism for architects and has wide repercussions for education and practice.

The Warne Report's main recommendation is that The Architects' Registration Acts should be repealed and the profession be deregulated. At the moment architecture is a uniquely protected profession. It was a struggle to pass the Architects' Registration Act in 1931, five bills having been previously defeated by parliament, which felt that to hand the official registration and control of the architectural profession to its own Royal Institute would be too monopolistic.

The Act of 1931 created an independent council, the Architects Registration Council of the United Kingdom, to regulate the membership, conduct and education of the profession. You cannot legally call yourself an architect unless you register with ARCUK. The case for this independent council was declared to be "the protection of the public from the half-trained, the untrained and the absolute imposter".

The government has accepted Mr Warne's report and when the repealing legislation is passed in two years time, Britain's architects will no longer be a protected species. Architectural services will be offered by builders, designers and consultants, and self-regulation will be the order of the day for the architects who will be able to call themselves "chartered architects", with institutions like the RIBA and its Scottish and Ulster equivalents becoming the self-regulatory bodies.

Mr Warne is the former secretary of the Institute of Chartered Accountants and his report suggests that architects should organise themselves very like accountants. His main recommendations are that the title "architect" should no longer be protected by statute; that ARCUK and its Board of Architectural Education should be abolished; and that the RIBA should be confirmed as a self-regulatory body operating in the public interest.

Sir George Young, the minister at the Department of the Environment responsible for any legislation, said on the report's publication: "There is no reason why architects, uniquely amongst the construction professions, should be regulated by statute. The established arrangements for self-regulation through the chartered professional institutions provide for satisfactory protection of the public interest and of consumers."

Many architects have behaved little better than the average cowboy to their clients – all under the umbrella of special statutory protection

The Royal Institute of British Architects has pondered the report and decided that the abolition of registration "is a retrograde step, not in the public interest". This reaction is not surprising, but seems short-sighted as the Warne Report also goes out of its way to suggest that a reformed and improved RIBA has a key role to play in developing a "client-friendly" profession. Warne recommends that the RIBA should be invited to include lay members on its committees and to examine ways in which users of architectural services and the construction industry could help to develop architectural education.

It is tragic that the RIBA has reacted in such a Pavlovian way. It has been made a series of offers in the report that could set it up as the inclusive body for the construction of buildings. The profession is very vulnerable: there are too many architects in too many small firms chasing too few jobs. The RIBA has for years wasted endless time and money on internal political bickering (for which it is justly criticised in the report). Architects have a bad name with the public, which does not see any benefit to them in the statutory protection of a title. The RIBA is invited to have formal annual discussions with government – something it has long wanted – about priorities in design matters.

The excellent president of the RIBA, Richard MacCormac, is worried about the arrival on the scene of "cowboys" calling themselves architects. He should understand that much of the profession has behaved little better than the average cowboy to its clients – all under the umbrella of special statutory protection. Architects are judged by results not by their nomenclature.

This freeing up of the profession offers important chances for the reform of education and will encourage new schools. The Prince of Wales's Institute of Architecture is already pioneering a more holistic approach to the design of buildings and encouraging the demise of professional divisiveness among the various professions and trades that design buildings. I hope the Prince's institute will promote public discussion of the important questions raised by this report about educational reforms, and make a bid for some of the ARCUK education fund. I suspect that, while the RIBA continues to contemplate its navel, others will step in and take advantage of the spirit of free competition. Architects will have only themselves to blame if they fail, yet again, to get their professional act together.

Colin Amery

Double role: Peter Jordan at the Oxford Playhouse

The Venetian Twins

THE Venetian lawyer Carlo Goldoni (1707-1793) was told his face was too jovial for the profession. Turning a jolly disposition to good account, he found himself better fitted for writing *commedia dell'arte* than subpoenas, and embarked on an extraordinary career in Venice and Paris which yielded nearly 300 plays in Italian and French.

Now Goldoni's *The Venetian Twins* (1746) at the Oxford Playhouse (Oxford Stage Company) opens his bicentenary. This is anarchic comedy looking back to Rabelais, sideways at Marivaux and forward to Feydeau. Goldoni's subjects are social, rarely political: "The secret of the art of writing comedy," he wrote, "is to cling to nature, and never leave her." The quality of the invention and insight is a reminder that Goldoni has been overlooked and undervalued.

The plot beggars belief. Zanetto and Tonino are identical twins, one simple-stupid and the other suave-clever. Unknown to the other, each arrives in Verona. There, Zanetto is betrothed to local beauty Rosaura, a horror in fluffy mules; meanwhile Tonino is awaited by his pudgy fiancée, Beatrice. The ensuing confusion runs out of breath after two deaths, two marriages and the appearance of the twins' long-lost sister.

The mistaken identities and cross-purposes are like *The Comedy of Errors* or the last act of *Twelfth Night*. Robert David MacDonald's stiff translation is laced with Shakespearean borrowings in true *commedia dell'arte* style.

Goldoni was one of the first *commedia dell'arte* playwrights to give written parts to actors used to improvisation. The dialogue here keeps up a *Whose Line is it Anyway?* unpredictability: "I managed to purloin a gondola and make my way here" – "By land?" – "My adventures would amaze you."

The acting, especially from Peter Jordan as the twins and Clare Cathcart as the winsome Beatrice, is robust and energetic. Jordan's best scenes are when Tonino visits Rosaura and takes his brother's bride-to-be for a whore and his future in-laws for pimps, and a wonderful scene where the two brothers meet, offstage, in a public lavatory.

Other highlights include Polly Kemp as Rosaura's lubricous maid and Malcolm Scates as Lelio, who wears an amoebic waistcoat and a fixed grin whilst pursuing Beatrice. Juliet Hill's busy pastiche score keeps the action flowing, while Mark Brickman's direction finds a measure of mess within the ordered plot. The moral, from the lips of a dying Veronese: "If we were always good, we should not need to be wise."

Andrew St George

On tour to: Winchester, March 2-6 (0962 843434); Bury St Edmunds, March 9-13 (0284 769505); Warwick, March 15-20 (0203 524524); Poole, March 22-27 (0202 685222); Worthing, March 29 – April 3 (0903 235333). Sponsored by BT

Sponsorship/Antony Thorncroft

Iron hands in velvet gloves

Companies can expect to have their arms twisted more gently and effectively in future by the development officers of arts organisations whose task it is to drum up sponsorship money. The arrival on the scene of full-time development officers has transformed the sponsorship industry: on average, development officers will have raised around £125,000 for their arts groups last year.

Last month, W.H. Smith sponsored, with Business in the Arts, a residential course for 16 development officers with the aim of improving their skills in persuasion and negotiation. The presence of a successful revenue raiser in an arts company takes a great burden off the shoulders of the chief executive. Artistic directors and museum directors have spent too many hours being nice to potential and existing sponsors. No wonder that good development directors are regarded as worth their weight in gold.

The heavily over-subscribed course, which attracted executives from the National Theatre, the Fitzwilliam Museum in Cambridge, the Aldeburgh festival, and the Orchestra of the Age of Enlightenment, will be repeated.

Mixing business and the arts at an even more senior level is also proving a rewarding experience. In January five arts managers, including Stephen Remington, chief executive of Sadler's Wells, and Bubble Lodge, chief executive of the Everyman, Cheltenham, won bursaries which will send them to institutions such as the Cranfield School of Management. English Estates will put up about £10,000 towards their fees. So far, 23 arts executives have already received intensive management training through the bursary scheme.

In addition there is the Business in the Arts placement programme which works the other way, seconding corporate managers with special skills – in computing, accountancy, marketing – to advise local arts organisations. To date there have been 250 such mind-expanding experiences.

IBM has always been a stalwart sponsor of the arts. In cash terms its commitment is not amazing, about £400,000 a year, but it has been supporting them for more than 20 years. For most of this time Peter Wilkinson supervised the budget.

Last year, to cut costs, IBM shed all its marketing departments. A new company, Comark, was established, mainly staffed by ex-IBM personnel, to supply advertising, PR, and marketing services generally to IBM under a five-year contract. Wilkinson's sponsorship department, which includes sport and the community, is part of Comark, and twice a year now he makes proposals to the thinned-down IBM management.

So far there has been little change to the arts programme. The budget, while not increased, has not been cut, and the bias remains towards youth projects and the creation of new events with a community appeal. Corporate entertaining scarcely features.

You could hardly get more innovative than "Da Capo – From the Beginning" at the Royal Academy of Music, which IBM is sponsoring from March 8. It is a five-day festival of works by 57 living composers all of whom studied at the Royal Academy. Rodney Bennett, Maw and Tavener are composers in residence and there will be pieces by Birtwistle, Berkeley, Dankworth and many, many, more.

★

Companies are very reluctant to sponsor big, élitist, arts events in the current climate. More and more of the budget is being directed towards community, environmental, or charity causes. This is true at Thorn-EMI which has a corporate budget of about £750,000 for good works, including the arts.

Last year it made a big promotional splash and invested £400,000 in touring Europe with Beethoven's Broadwood piano. This year arts expenditure is going towards such events as National Youth Theatre workshops in Feltham Prison; a residency by London Contemporary Dance at the Brimble Hill Special School; and £40,000, over three years, towards Music for Youth. Tomorrow it is underwriting a charity evening for the new musical *Crazy For You* which will benefit the Cancer and Leukaemia in Childhood Trust by £80,000. Even the guests of chairman Colin Southgate will be expected to pay for their tickets.

★

A major new award for the arts, worth £100,000, has been announced. Each year the Vivien Duffield Foundation will present the Vivien Duffield Award to a British performing arts company to allow it to mount a project which would otherwise be beyond its means.

The first recipient is Welsh National Opera, which next winter will present three operas based around the Cinderella myth. Nine other opera companies were asked to suggest ideas. Theatre companies will be approached for the 1994 award, and in subsequent years dance and classical music will benefit.

★

On the same theme the RSC is looking for a sponsor, or two, for the Prince of Wales Shakespeare School. The Prince is keen that Shakespeare should be taught in schools and he is putting his influence behind two 12-day courses at the RSC's Other Place theatre in Stratford in the summer at which 70 teachers will be trained by RSC experts. The cost of the venture is £90,000, and the Prince will be putting in an appearance.

★

British Telecom is enjoying itself as the UK's leading arts sponsor. It has now upped its 1993 budget to £1.8m, way ahead of any competitor, and is displaying its market leadership by getting into bed with the Association for Business Sponsorship of the Arts, the industry pressure group. In future it will help fund ABSA seminars, literature, and general proselytising work.

Last year's BT New Contemporaries art show is currently on display at the ICA in London at the end of its tour and BT has committed itself to sponsor the 1993-94 show, with about £65,000, starting in Manchester in June.

Theatre

Snow Orchid

Is it because of the greater influence of psychoanalysis there that the United States in this century has developed so much stronger a tradition of serious drama set in the family home than we have ever had in Britain? Joseph Pintauro's *Snow Orchid* presents an Italian-American family nucleus of mother, father, and two sons, and illumines the traumatic psychological damage effected by spouses/parents upon each other and their children. Every scene but the last occurs inside the family's tight little apartment. The only intruder is the elder son's boyfriend; and he doesn't stay long.

Though *Snow Orchid* is sometimes funny and does not actually ring true at every moment, you can't miss how it addresses family matters in a psychologically serious way that our theatre has avoided. At the Gate, where it is having its British premiere performances, its intensity has terrific force. Rob Howell's designs turn the tiny space into the apartment's several rooms with wonderful detail; Tim Luscombe's direction has produced a kind of Italian-American detailed conviction of playing rare in our theatre.

Snow Orchid is in no way radical today – it was probably not radical when written in 1979 – but over here it is still a shot in the arm, simply because of the nature of its realism. The painful recriminations between husband and wife, between father and elder son, between mother and younger son, and the wealth of detail that each such scene drags up: all is marvellously persuasive, even cathartic.

The play's final scene is the wrong kind of catharsis – a touch of optimism that arrives too neatly, though staged at the Gate with a surprise scene change that is something of a *coup de théâtre*. Details are thrown away too lightly, such as the father's admission that he not only never loved his wife, he never loved anyone – puzzling, since he demonstrates love for both sons. And, though it is presented here by the London Gay Theatre Company, its handling of gayness and gay issues is not its most central concern or successful achievement. *Snow Orchid* is ultimately about the claustrophobia of family life.

The linchpin of the Gate staging is Paola Dionisotti as Filumena. Her Italian accent is flawless, even in its incipient Americanisms; and the aggressive fury that has always made her remarkable is given a fresh spark by enacting a Mediterranean temperament. Here, as in *Vassa Zheleznova* (same theatre, 1990), she is playing a minor latterday Clytemnestra; how about reviving *Mourning becomes Electra* for her?

As her husband and two sons, Roger Lloyd Pack, Adam Magnani and Jude Law are excellent. The playing sags only twice; first, after the climax of Sebbie's tremendous bathroom scene with his father; second, in Blaise's too mild reproaches to his mother. These are brief lapses in a performance that holds its audience gripped from first to last.

Alastair Macaulay

Gate Theatre, London W11, until March 27 (071 229 0706)

Dance

Mark Murphy and Eurodance

If you knew the new-dance scene but not who choreographed Mark Murphy's *Headshot*, you might well assume that it had been made across the Channel. But if you didn't know the new-dance scene, you wouldn't think that *Headshot* was a dance anyway.

The dancers of Mark Murphy's V-Tol Company, performing the 70-minute *Headshot* at the Place, London, last weekend, are attractive and fit, but dancing is hardly what he asks them to do. Though his choreography is authoritative, it is much too important to have mere dance on its mind. Why should it concern itself with petty things like showing you how these dancers respond to music; or what kinds of rhythm and phrasing they can develop; or the degree of virtuoso articulation of which they are capable? All that has been out of date for years.

In this respect, Murphy is like scores of choreographers on the new-dance scene. The two things that make *Headshot* unusual are first, that in one or two moments he reveals an instinct to make these dancers (of whom he is one) really *move* commandingly across the stage, turning and/or jumping; and second, that otherwise it has been very smartly organised as a perfect example of Eurodance – ie non-dance physical theatre, full of aggression and irony, with deliberately "controversial" flashes of sociology.

Men and women get hit, brutalised, and shot by one another. Every aspiration to tenderness or romance is to no avail. As for the episodes of brutality, when they are fitted to rock or jazz music, they actually start to look droll, even hip. The mixture of elegance and violence is part of the work's deliberate irony.

This sour world view – albeit despondent and cynical – has been expressed with apparent conviction by a host of cross-Channel choreographers: notably Pina Bausch. It has even produced a few works of art. But *Headshot* does not appear sincere, or like an attempt to make art. It is a mere exercise in audience manipulation, in slick modishness. Murphy has mastered every trick – even the clichéd Kamikaze jump now widely known as the Eurocrash, in which the dancer lands bang on the floor, rolls over, picks himself up, and dives splat back on to the ground.

Yet I suspect that Murphy's dance instincts are more innocent and lively than *Headshot* would have us believe. Though there is very little here that should be dignified by the name of dance, that little has a sweep, an attack and a pleasure in precisely controlled energy that are all welcome.

But so what? Does Murphy have the courage to follow his dance instincts when the prevailing trends from the Continent blow so strongly in the opposite direction?

Alastair Macaulay

INTERNATIONAL ARTS GUIDE

■ BERLIN

CONCERTS

Philharmonie This week's highlight is the Berlin Philharmonic Orchestra's concert performance of Falstaff on Sun conducted by Georg Solti, with José van Dam in title role (repeated next Mon). Solti also conducts a symphonic programme on March 11, 12, 14.

This week's other events include a piano recital tonight by Elena Bashkirova, a recital of oboe sonatas tomorrow by Hansjörg Schellenberger and a Hölderlin-inspired programme with Scharoun Ensemble on Wednesday (2548 8232)

Schauspielhaus Tonight: Dirk Joeres conducts West German Sinfonia in works by Saint-Saens, Schreker, Mendelssohn and Mozart. Tomorrow: Hartmut Haenchen conducts CPE Bach Orchestra in Haydn and Mozart. Thurs, Sat, Sun, Mon: Heinz Wallberg conducts Berlin Symphony Orchestra in a Brahms programme, with violin soloist Viktor Tretiakov (2090 2156). Next Mon in Friedrichspalast: Ute Lemper (301 9999)

OPERA/DANCE

Deutsche Oper Tonight: Wagner Soirée. Tomorrow and Fri: Gounod's Faust. Wed: Balanchine evening. Thurs: Katya Kabanova with Karan Armstrong and Leonie Rysanek. Sat: L'Italiana in Algeri. Sun: Jiri Kout conducts Götz Friedrich's new production of *Der Rosenkavalier. Next Tues:* Elektra with Janis Martin (341 0249)

Staatsoper unter den Linden Tomorrow: Die lustigen Weiber von Windsor. Wed and Sat: Zar und Zimmermann. Thurs: Jenufa. Fri: Tosca. Sun: Salome with Karen Huffstodt and Monte Pederson. Next Mon: Robert Gambill song recital. March 12: Daniel Barenboim conducts first night of new Béjart ballet (200 4762)

THEATRE

Peter Zadek's Vienna Burgtheater production of The Merchant of Venice has guest performances at Berliner Ensemble on Fri, Sat and Sun (282 3160). Volksbühne am Rosa Luxemburg Platz is staging a mini-festival for German painter and director Achim Freyer daily till Fri, followed by a new production of Anthony Burgess' stage version of Clockwork Orange (282 8978).

Maxim Gorki Theater has a new studio production of Edward Bond's play Summer, first night Thurs (208 2783). Sam Shepard's True West can be seen tomorrow and Fri at DT-Baracke (2844 1225)

■ NEW YORK

THEATRE

● The Goodbye Girl: Bernadette Peters and Martin Short star in a new musical by Neil Simon (book), Marvin Hamlisch (score) and David Zippel (lyrics), adapted from Simon's 1977 film. In previews (Marquis, Broadway at 45th St, 307 4100)

● *Putting It Together:* a celebration of Stephen Sondheim's music, starring Julie Andrews, Stephen Collins and Rachel York. Previews begin tomorrow (Manhattan Theatre Club, at City Center, 131 West 55th St, 581 1212)

● Oleanna: David Mamet takes on political correctness, sexual harassment and other topics in this powerful drama (Orpheum, 126 Second Ave at 8th St, 307 4100)

● Someone Who'll Watch Over Me: Alec McCowen as one of three Beirut hostages in Frank McGuinness's moving and humorous play (Booth, 222 West 45th St, 239 6200)

OPERA/DANCE

Metropolitan Opera Tonight and Fri: Der Rosenkavalier with Anna Tomowa-Sintow and Susanne Quittmeyer. Tomorrow: La fanciulla del West with Ghena Dimitrova. Wed and Sat: Cav and Pag with Waltraud Meier and Vladimir Atlantov. Thurs: Donald Runnicles conducts Die Zauberflöte, with Kathleen Battle, Peter Seiffert and Manfred Hemm. March 11: first night of new production of Ariadne auf Naxos, with Jessye Norman (362 6000)

State Theater Final week of Bavarian State Ballet season: Ray Barr's production of Don Quixote (tomorrow, Wed, Fri, Sun), mixed bill (Thurs) and Cranko's Onegin (Sat). March 16-28: Dance Theatre of Harlem (870 5570). March 9-21 at City Center: Merce Cunningham Dance Company (581 1212)

CONCERTS

Carnegie Hall This week's highlight is a piano recital by Maurizio Pollini on Sun afternoon. Other concerts: Abbey Simon piano recital on Wed, Latin jazz evening with percussionist Tito Puente on Thurs, recital by soprano Harolyn Blackwell on Fri. March 8, 9: San Francisco Symphony Orchestra. March 11: Boulez conducts Cleveland Orchestra (247 7800)

Avery Fisher Hall Sat: Oliver Knussen conducts New York Philharmonic Orchestra in works by Busoni, Stravinsky and Knussen (875 5030)

Merkin Concert Hall Sat: Sylvan Wind Ensemble, with Guarneri String Quartet, in works by Barber, Britten and Brahms (869 8653)

JAZZ/CABARET

Blue Note Tonight: Eilene Rockette with Steve Turre and Marvin Smith. Tomorrow till Sun: Angela Bofill, showtimes at 21.00 and 23.30. Next week: George Shearing Duo plus Jim Hall Trio. Dining (131 West 3rd St, 475 8592)

Carlyle Hotel Eartha Kitt is currently holding court (Madison Ave at 76th St, 744 1600)

Michael's Pub New Orleans native Vernel Bagneris intersperses his portrait of Jelly Roll Morton with 16 numbers packed into little more than an hour (211 East 55th St, 758 2272)

Algonquin Hotel Daugherty and Field begin a month's engagement tonight. Dining (59 West 44th St, 840 6800)

■ PARIS

OPERA/DANCE

Opéra Bastille The main event this week is the premiere on Sat of Denis Krief's new production of Benvenuto Cellini conducted by Myung-Whun Chung, with Chris Merritt and Diana Montague. Nine performances till March 31 (4001 1616)

Châtelet Tonight and tomorrow: final performances of Klaus Michael Grüber's production of La traviata conducted by Antonio Pappano. Violetta is sung by Giusy Devinu tonight and Veronica Villarroel tomorrow (4028 2840). Next Tues at Opéra Comique: first of 12 performances of Gounod's Mireille (4286 8883)

Palais Garnier Thurs, Fri, Sat: young dancers of Ballet de l'Opéra (4742 5371))

CONCERTS

Théâtre des Champs-Elysées Tonight: Alban Berg Quartet (4720 3637). Sat in **Théâtre de la Ville:** Olli Mustonen piano recital (4274 2277)

Salle Pleyel Wed and Thurs: Semyon Bychkov conducts Orchestre de Paris in works by Lutoslawski, Mozart and Tchaikovsky, with piano soloist Justus Frantz (4563 0796)

Radio France Fri and Sat: Witold Lutoslawski 80th birthday concerts with Orchestra and Chorus of Radio France, baritone soloist François Le Roux and Arditti Quartet (4230 1516)

JAZZ/CABARET

Lionel Hampton Jazz Club American blues guitarist Luther Johnson and his Magic Rockers, daily till Sat, music from 22.30. March 8-20: jazz trumpeter Terence Blanchard (Hotel Meridien Paris Etoile, 81 Boulevard Gouvion St Cyr, tel 4068 3042)

THEATRE

● Jackets: Edward Bond's 1989 tragedy, set in 18th century imperial Japan and modern England, about youth being crushed by the imperatives of power. Production from Lyon directed by Bruno Boeglin. Opens Wed (Théâtre de la Ville 4274 2277)

● Les Fausses Confidences: Marivaux's delightful 1737 play. Till March 20 (Théâtre national de Chaillot 4727 8115)

● Tourist Guide: Botho Strauss' 1986 play about Berlin intellectuals on holiday in Greece. Till March 14 (Espace Acteur, 14 rue Sainte-Isaure 4262 3500)

● Filumena Marturano: an early black comedy by Eduardo Filippo. Till March 14 (Théâtre national de Chaillot 4727 8115)

European Cable and Satellite Business TV
(All times are Central European Time)

MONDAY TO THURSDAY

Super Channel: European Business Today 0730; 2230

MONDAY
Super Channel: West of Moscow 1230.
Super Channel: Financial Times Reports 0630

WEDNESDAY
Super Channel: Financial Times Reports 2130

THURSDAY
Sky News: Financial Times Reports 2030; 0130

FRIDAY
Super Channel: European Business Today 0730; 2230
Sky News: Financial Times Reports 0530

SATURDAY
Super Channel: Financial Times Reports 0930
Sky News: West of Moscow 1130; 2230

SUNDAY
Super Channel: West of Moscow 1830
Super Channel: Financial Times Reports 1900
Sky News: West of Moscow 0230; 0530
Sky News: Financial Times Reports 1330; 2030

A rich new seam

Clive Cookson on the UK's latest source of energy

Natural gas trapped in coal seams could give Britain a vast new source of usable energy. Geologists say UK reserves of coalbed methane, as the gas is called, may exceed 1,000bn cubic metres – comparable with the total volume in conventional North Sea gas fields.

The oil industry is starting to drill wells to extract the methane, which Mr Tim Eggar, the energy minister, believes "could represent a very valuable addition to our future energy supplies". Yet it has hardly been mentioned in the debate currently raging about coal and gas in the UK.

"There seems to be a conspiracy of silence," says one operator. "No one wants to talk about a new huge source of gas at a time when many people think we already have more than we need."

Several technical, fiscal and regulatory obstacles will have to be overcome before Britain can exploit coalbed methane on the same scale as the US, where gas is now flowing at a rate of 30m cu m a day. But it could offer a vital supplement to UK gas supplies early in the next century, when the main offshore reserves are likely to have been used up.

The Department of Trade and Industry awarded the first eight exploration licences for coalbed methane in 1991; 27 more followed last year. They cover coalfields in England, Wales and Scotland.

UK exploration for methane is led by companies with US experience. Evergreen Resources, based in Colorado, is now testing the first well, Sealand-1 just west of Chester in north-west England, and is drilling a second well south of Rhyl on the north Wales coast.

"We believe Sealand is capable of production but we are still evaluating its commercial possibilities," says Mr Ian Thompson, Evergreen's UK managing director.

A dozen other companies are involved in UK coalbed methane exploration. They include Eastern Electricity, Kirkland Resources, Hillfarm Coal, Puffin Oil, Babcock Energy, Powergen and Conoco. All are drilling well away from collieries which could interfere with gas production.

Any well is bound to find some methane because all coal seams contain the gas, adsorbed chemically on the surface of coal particles and filling the tiny spaces between them. The question is whether it can be extracted in commercial quantities.

The methane is traditionally regarded as a safety hazard in coalmines. It has to be drained from the seams to prevent explosive quantities building up underground. Although small amounts of gas are sometimes used locally, for example to fire colliery boilers, it is normally vented into the atmosphere – a waste of energy similar to the flaring of natural gas in an oilfield.

From the environmental point of view it is better to extract methane for use as a fuel, because it is a powerful "greenhouse gas". Each molecule contributes 50 times more to global warming than a molecule of carbon dioxide.

Commercial exploitation of coalbed methane started in the US during the 1970s, stimulated by new federal tax credits for unconventional gas production. Six thousand wells have been drilled in three main areas in Colorado/New Mexico, Alabama and Pennsylvania.

The technology developed for extracting methane depends first on creating long fractures in the coal seam to enable the gas to flow more easily. The simplest technique, hydraulic fracturing, involves injecting water at high pressure. Then the pressure is reduced at the surface – for example, by pumping water out of the well – to stimulate the flow of gas.

Mr Eric Allen, an engineer with LAS Energy, a Canadian methane company, says the technology has improved significantly over the past 10 years. "With recent advances in completion techniques, many new wells produce at levels which are spectacular by any conventional comparison."

Gas does not flow through coal seams as readily as through conventional sandstone reservoirs, so coalbed extraction generally requires more wells for a given area. But methane enthusiasts say the latest wellhead equipment does not make an obtrusive impact on the landscape.

"Drilling costs are higher in the UK than in the US but all other factors appear to compare favourably with the most productive areas in the US," says Mr John Garratt, managing director of Puffin Oil, an independent energy company with methane interests in both countries. One attraction of the UK market is that gas prices "are among the highest in the world".

But Mr Henry Boyd, secretary of the UK Onshore Operators Group, says: "Coalbed methane will not be a bonanza for anyone. The returns will at best be moderate."

Mr Boyd points out that the outlook for coalbed methane in the UK is overshadowed by uncertainties about the fiscal and regulatory regimes. These are spelt out in a memorandum on coalbed methane prepared by Oil Management Services (OMS), a London consultancy which provides the group's administration.

The main fiscal uncertainty concerns the point at which petroleum revenue tax would apply to a coalbed methane field. OMS says the reaction of some US companies is: "Let us know when the UK works out its tax regime; meanwhile we will go to third-world countries which do know what their tax regime is."

A more fundamental legal question is: who owns coalbed methane? British Coal maintains that its property includes not only all coal in the UK but also the gas trapped within it. The onshore operators, on the other hand, insist that the methane belongs to the crown, although most agree that British Coal's permission is required to drill into its seams.

"Licensees have been outraged at the claims being made by British Coal," says OMS. "They did not expect to be required to make substantial additional payments to British Coal as a condition for exercising their petroleum licences."

The operators are lobbying the DTI hard to resolve the uncertainties and encourage methane production. The incentive is not only to provide a new indigenous energy source for the next century; it is also to lay the foundations for a UK industry which could export services and equipment to other European countries seeking to exploit their coalbed methane resources, just as the North Sea fields provided the basis for Britain's offshore oil and gas industry.

Just what the doctor ordered

John Willman examines the merits of managed markets in the provision of healthcare services

As Mrs Hillary Clinton examines strategies for reforming the US's costly and incomplete healthcare system, she could learn much from the experience of European countries in reforming their health services.

A recent Organisation for Economic Co-operation and Development report* on healthcare reforms in seven European countries (see table) concludes that, despite starting with very different health systems, they are converging on the same solution to the problem of escalating costs.

That solution is what the OECD calls a "managed market" in healthcare. The details vary from country to country but, in each case, some sort of market mechanism is created, in which doctors and hospitals compete to provide health services paid for or underwritten by the government.

Governments can control spending by bearing down on producer interests such as the drugs industry

Some countries are further down the road towards managed markets than others – Germany, the Netherlands and the UK are the most advanced. And none of them has all the elements of the model in place, with many still experimenting with or in the middle of implementing their reforms.

However, all the important components of the model have been successfully tested in one or other of the seven countries, allowing the OECD to describe the managed market approach as "not a high-risk strategy".

All the countries provide healthcare universally or almost universally – those with limited public provision have widened its scope in the past decade. Methods of funding vary, however, with some paying for it out of taxation, others through compulsory insurance contributions paid either to private insurers, public bodies or a mixture of both.

All had experienced "unacceptably high" growth rates in healthcare costs in the 1970s, according to the OECD, with the share of GDP swallowed by health rising during the decade by between 29 per cent in the UK and 71 per cent in Ireland. The desire of politicians to contain these costs was the main motive behind healthcare reforms.

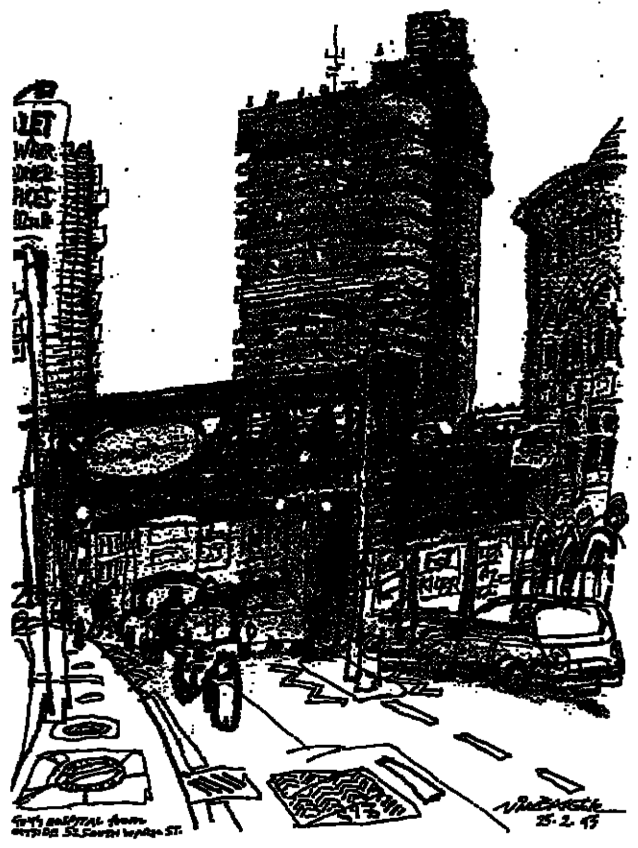
Universal funding has proved to be the key to containing costs, says the OECD. By setting overall budgets, governments can take the lead in controlling expenditure by bearing down on producer interests such as surgeons, hospitals and the pharmaceutical industry. Where health costs are demand-led and open-ended – as in privately insured systems – there is no such force for economy and efficiency.

Universal cover is also the key to improving the standard of health since it allows basic medical care to be allocated according to need rather than ability to pay. Without universal cover, insurers select healthier groups, leaving the less healthy people – often on low incomes or ageing – with little or no protection.

An additional argument in favour of universal funding is that it can help reduce the financial burden on middle-income groups. With voluntary insured systems such as in the US, they pay twice: their own insurance premiums, and higher taxes to pay for public health services for the low-income groups who are not covered by insurance.

But capping the budget is only the first step. The seven countries have all experimented with market-type mechanisms for spending the budget more efficiently. The common elements of these mechanisms are:

- Decentralised purchasing agencies to buy health services for customers in the light of local needs. In the UK, these are the district health authorities, which purchase health services on behalf of most people living in their areas.
- Competition among "providers", such as doctors, hospitals and other community health services. Payments systems have been restructured to reward those that are more efficient, so that money follows the patient.
- A mixture of private-sector and public-sector providers to inject market forces. In the UK, the entrepreneurial spirit is provided by the National Health Service trusts, which are independent and self-governing.
- Self-regulation on quality assurance – leaving it to professionals and purchasing agencies to regulate the market, rather than heavy-handed interference from above.



Europe's health

	Health expenditure as % of GDP in 1990	Change in share of GDP spent on health 1980-90 %
Belgium	7.6	15
France	8.8	16
Germany	8.1	- 4
Ireland	7.5	-22
Netherlands	8.0	0
Spain	6.5	18
UK	6.2	7

Source: OECD Health Systems: Facts and Trends, 1993.

Within the managed market, paying for health services through a contract for services is more cost-effective than reimbursement of fees for each service. In France, for example, where healthcare was mostly paid for by reimbursement of fees during the 1980s, the share of GDP consumed by healthcare rose from 7.6 per cent of GDP in 1980 to 8.8 per cent in 1990. The share was static in Germany and the Netherlands, which used the contract method throughout this period.

There is evidence that countries that pay doctors fees for services have higher consultation rates, longer consultation times and higher prescribing rates. When Ireland switched from fee-for-service to a fixed annual contract for each patient on the doctor's register, doctors' consultation rates fell by a fifth. Fixed payments per head remove the incentive to over-treat to earn fees – a big problem in the US.

The good news for US reformers – where "socialised medicine" has traditionally been viewed with suspicion – is that none of the seven is moving towards a centralised, command economy-type health service.

The best example of the latter is in the UK. Until the recent reforms, the NHS was largely organised on what the OECD describes as a "public integrated system": hospital and community health services were paid for and provided by a centralised, vertically integrated, monolithic organisation.

Now the British health service is held up by the OECD report as one of the two most advanced in its reforms. In addition to introducing managed markets for healthcare providers, the UK has begun to introduce competition in purchasing of health services. It is doing this by giving some family doctors, called fund-holders, direct control of the budgets for hospital treatment of their patients.

While most patients are treated under block contracts negotiated by district health authorities, fund-holders can shop around for the best deals for their patients. The OECD says that this has improved the responsiveness of hospital services, though it concedes that it remains to be seen whether the benefits can be extended to all patients.

Similar attempts to introduce competition in purchasing are being implemented in the Netherlands, which will allow consumers to choose between competing insurers and sickness funds. Membership of a scheme is to be compulsory, and requires a flat-rate premium which is expected to cover 15 per cent of health costs.

The balance of health finance comes from a central healthcare fund which collects income-related premiums from every consumer. This money is distributed to purchasers according to the profile of their customers, so that healthcare is allocated according to need. Selection and cream-skimming are avoided by a requirement on schemes to accept all applicants.

The OECD accepts it is too early to make a final assessment of either the UK or Dutch reforms. But the creation of managed markets in healthcare in each of the seven European countries appears to have extended healthcare to most or all the population at costs much lower than those in the US.

* *The Reform of Healthcare, OECD. £30.*

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL

Fax 071 873 5938. Letters transmitted should be clearly typed and not hand written. Please set fax for finest resolution

Risks no reason to delay aid to Bosnia

From Silvia Miskulin.

Sir, I am sick and tired of comments that everything to do with helping Croatia and Bosnia "entails some very real political and military risk", according to Mr Robert Mauthner's article "Air-drops to land in a political minefield" (February 25).

I am maybe naive, but has anyone ever joined in any war without "some very real political and military risk"? Are the soldiers being trained to be afraid of risk, afraid of fighting, being shot at and shooting? The reason why people don't join the army is because it is a risky occupation, which is also one of the reasons why they do.

So far the British have done their best to postpone any kind of real help to stop victimisation of Croats and Bosnians because of the risks involved. Fair enough.

Therefore it is true that the Moslems' last hope were the Americans; so why don't the British, if they themselves are afraid to help, allow someone else to do it? They now say the American air-drop would stop the preace process. What peace process? Within recent days the Serbs have destroyed another part of Sarajevo. The Serbs have never yet stopped aggression for any peace negotiations (ie going back to Lord Carrington's endless famous cease-fires in Croatia).

So how can US air-drops start something that has never stopped? War cannot escalate any further against Croats and Moslems. It could prove troublesome to the Serbs and Serbs don't like to be troubled, as they keep warning the west.

It seems to me that, in order not to annoy the Serbs, we condemn them on the one hand and let them get away with murder on the other, and why shouldn't Serbia vote for a war criminal to be their leader? After all, crime does pay, as their leader Milosevic has proved and the west has allowed for far too long.

Silvia Miskulin,
3 Wentworth Court,
Wentworth Avenue,
London N3

A voting system that leads to capricious election results

From Mr Gary Titley MEP.

Sir, Edward Mortimer's defence of the single transferable vote (Foreign Affairs, February 24) was ironically given the headline "Vote to break the bosses". Ironically because, in fact, one of the effects of the STV is actually to strengthen political "bosses".

STV encourages the development of a client system in which individual politicians nurture their electorate, often in direct competition with politicians in their own party and often in ways which more closely represent "pork-barrel" politics than we would believe could be acceptable.

STV is also extremely complex. As the Irish general election showed, it can often take weeks for the final result to be known. Further, as the Plant Report showed, STV is "capricious" with the elimination process, throwing up results which are clearly not the ones intended by the electorate.

STV therefore does not have a clear link between voters' intentions and final outcome – which ought to be the prerequisite of any electoral system.

In short, STV is neither proportional, nor simple, nor conducive to party discipline or to effective constituency representation. It is difficult, in fact, to find a good reason even to consider it.

Gary Titley,
MEP Greater Manchester West,
16 Spring Lane,
Radcliffe M26 9TQN

Speaking in vernacular

From Johan Enegren.

Sir, It is comforting to read that Philip Stephens ("Premier makes music in a minor", February 26) believes that Mr Major suppressed his doubts about the US air-drop operation in Bosnia by calling it "brave" and "imaginative".

However, if Stephens had read his Yes, Prime Minister, he would know that such words can imply damning praise indeed, to be translated into "foolhardy" or "idiotic" or even worse. One can only hope that Mr Major's vernacular has not been too contaminated by Appleby-ese. Of course, the cabinet secretary, Sir Robin Butler, seems a far cry from Sir Humphrey, so maybe the risk is not too great.

Johan Enegren,
Avenue de l'Amazone 4,
B-1640 Rhode-Saint-Genese,
Belgium

The route round the late-payment cycle

From Mr Brian Sumner.

Sir, We are constantly hearing about how the late payment of debts is, supposedly, causing the downfall of many a business, and I dare say this is a *factor* in the appalling company-failure statistics.

Nevertheless, the reality is that most trading companies selling on credit to other businesses should never go down because of late payment of debt.

The reason is the existence in the financial markets of invoice discounting and factoring products. By advancing to the company up to 80 per cent of invoice value (including VAT) as soon as it is raised – the balance reverting after collection – the greater part of the debt is properly funded at the outset, enabling working capital to be replenished and the business cycle to continue.

Brian Sumner,
managing director,
Causeway Invoice Discounting Company,
123 St Ann's Square,
Manchester M2 7HS

Government must play part in boosting industry

From Mr Mark H J Radcliffe.

Sir, We shall do nothing for Britain's vital export trade if we continue to talk in terms of problems rather than solutions in the manner of your articles "Industry's unstoppable slide" (February 19) and "Charting the mechanics of decline" (February 22).

No one disputes that the UK has an unacceptable trade deficit. Britain needs to capture an extra 1 per cent of world trade in manufactured goods and increase exports by at least £12bn a year to balance the books. But to suggest, as you do, that the prime minister may be disappointed in looking to industry for an export-led recovery is rather like shrugging your shoulders and saying nothing can be done. A more positive approach is needed.

The CBI's National Manufacturing Council is carrying out an examination of those sectors of industry which have a trade imbalance, especially those in which the deficit is increasing, with a view to finding ways of reversing the trend. In addition, we are studying 11,000 categories of imports to establish why such products are bought in from overseas rather than being produced in the UK.

The CBI is also seeking improvements in the UK's inadequate education system and weak transport infrastructure, to overcome their adverse effects on our industrial performance.

Improved international competitiveness is the only real solution to capturing a greater share of world markets, recognising, as we must, that 96 per cent of market potential is outside the UK. One solution to Britain's inadequate performance is to raise the standards of many average UK companies to world-class levels.

The NMC is seeking to do this by spreading best practice, and attracting the best people into industry to make this happen. World-class performance depends on world-class talent.

However, the government also has a role to play and we will be looking to the forthcoming Budget for evidence that the government recognises the need to encourage investment and exports to provide the basis for a sustained recovery.

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FINANCIAL TIMES
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Monday March 1 1993

Bankers and small business

RELATIONS BETWEEN Britain's high-street banks and its small and medium-sized businesses are under severe strain as the recession drags on. Talk of the renewal of a British "enterprise culture" during the 1980s has rung increasingly hollow as the number of small company failures has grown. Their banks have been unable to get back overdrafts and short-term loans secured on property that has fallen in value.

The number of company insolvencies in England and Wales rose from 9,400 in 1988 to some 22,000 in 1991. A continued attrition appears inevitable as banks burned by bad debts refuse loans to highly geared businesses. Nearly half of National Westminster's £1.3bn provision in UK branch banking last year was against loans of less than £50,000.

In this unhappy climate, one bank chief executive has suggested that the system of financing small business should be fundamentally rethought. Mr Brian Pearse, of HSBC's Midland Bank, says that a "partnership" of banks, businesses and the government is required to wean smaller companies from their addiction to short-term debt financing.

Mr Pearse has a number of ideas. He thinks the government should provide tax breaks to individuals who invest in equity capital for local businesses. He also believes Britain should imitate the German KfW bank by providing a subsidy so that banks can provide medium and long-term loans at 1 percentage point above base rates, rather than the current 2 to 3 points.

Mr Pearse does not absolve banks from blame. He thinks they need to improve risk assessment, and offer businesses new forms of debt finance. But many will sniff self-interest in his plan. The banks have weakened their capital by paying out uncovered dividends in the past few years. Although Midland's capital is now backed by that of its parent, UK banks would like to be eased over the awkward phase before retained profits recover. Shareholders who are unhappy at their record might well hesitate to subscribe to fresh rights issues. This suggests the government should exercise caution before offering even the £67m Mr Pearse believes his scheme would cost at most.

This does not detract from the validity of his more general point, that British financing of small businesses requires a rethink. Many businesses have been tempted into accepting an excess of short-term debt from banks by the lack of equity alternatives. One recent study found that 58 per cent of debt held by small companies in Britain was in the form of overdrafts, compared with only 14 per cent in Germany.

Midland is not alone in thinking incentives are needed to lessen this dependence. Several business organisations have called on Mr Norman Lamont, the chancellor, to provide tax incentives to increase capital in his forthcoming budget. Corporation tax is biased against equity funding and capital gains tax is set at 40 per cent – the same as the top rate of personal income tax. Mr Lamont will be right to respond.

India's budget

THERE ARE some welcome surprises in Mr Manmohan Singh's third budget, unveiled on Saturday. In floating the rupee and sharply cutting tariffs, he has gone further than expected and shown that he remains committed to reforming and opening up India's economy. Exporters and foreign investors should draw encouragement.

However, the flourish of Mr Singh's delivery cannot disguise his dual purpose. Almost all the measures can be justified as extending the reform process. Cuts in excise duties were necessary. The fall in interest rates follows a reduction in inflation. Who can deny the need in India for spending on health, education and agricultural development if the fiscal austerity of the past two years now provides some leeway? But it is hardly coincidence that most of the measures are also vote-winners.

Provided that fiscal discipline is maintained and that a sudden surge in imports does not wreck the balance of payments, it would be harsh to blame Mr Singh for adopting a more populist approach. The government of Mr P V Narasimha Rao needs to restore confidence in its direction and to boost national morale after the violence which has followed the destruction of the mosque at Ayodhya. Several important state elections are due and an early general election cannot be ruled out.

The government's argument is that the past 20 months of cuts in the budget deficit, subsidies, inflation and the balance of payments deficit, coupled with the end of many bureaucratic hurdles in the way of investment, have provided a base from which to accelerate economic growth. Without increases in spending and cuts in duties, the budget deficit would be even smaller than the 4 per cent of GDP desired by the International Monetary Fund.

This may be true. In the longer term, however, India's prosperity will depend on the government tackling the most sensitive issues: tax reform, subsidised lending, and the size of the public sector and of government itself. Mr Singh has skirted round the edges of these except in one important regard: his decision to inject capital into state-owned banks so that they can clean from balance sheets un-provisioned bad debts, tighten their management and prepare themselves to sell equity to the public.

The problem of dismantling India's complex web of controls is that each step immediately provokes calls for the next. But this budget should not be judged severely. It is a substantial move forward, with important incentives for exports and for investors – in particular, the large cut in duties on imports of capital goods and tax incentives for investment in infrastructure projects, especially power generation. Faster economic growth will give the government greater popular support to push reforms further. Then the most difficult issues will have to be addressed.

Public services

LAST WEEK'S report on the collapse of the London Ambulance Service's new computer for despatching vehicles to emergencies makes sorry reading. The computer system crashed after a series of management failures, plunging the capital's ambulance service into chaos. The LAS chairman has resigned and reforms are under way, but there are lessons here for all the public services.

In the health service, as in other key public services, the government has delegated management responsibility to a series of quangos. These are usually dominated by professional managers and by business executives: elected representatives of the local community have often been excluded. The aim is to work along more businesslike lines, giving managers more freedom.

Much of this revolution in the management of public services is valuable and long-overdue. It has also required determination, given the opposition of many who work in the public services. But in its haste to force through change, the government has given inadequate attention to the question of accountability. It is not enough for public services to be efficient: they must be accountable to those who pay for them.

This accountability can often be exercised through choice. Parents, for example, can choose between different state schools, patients between competing family doctors. But where there is a monopoly – as, currently, with the ambulance service – mechanisms are needed to ensure that the taxpayer who pays the piper calls the tune.

That was manifestly not the case under the arrangements for managing London's ambulances. It was obvious to patients, doctors and hospital administrators that the service was quite inadequate. Yet the LAS board failed to remedy those defects: it demanded too little information to make informed judgments; and it was too ready to accept the assurances of senior managers that problems were being resolved. The regional health authority responsible for the ambulance service was reluctant to interfere, since it had delegated responsibility to the LAS board.

The problems were exacerbated by a management style which created a "fear of failure", mistakenly believed to be modelled on best private-sector practice. This put undue pressure on managers to meet over-ambitious targets and to ignore obvious difficulties. It also undervalued good communications between managers and staff, leaving an atmosphere of mistrust.

If similar failures are to be avoided in the future, the government must ensure that clear lines of managerial and public accountability are established when responsibility for services is delegated to quangos. With similar reforms now mooted for the police, it would be unforgiveable if the lessons of the London Ambulance Service were not learnt.

The profits squeeze is forcing Japanese companies to rethink how they do business, says **Charles Leadbeater**

No longer a superficial wound

Japanese companies are admitting an unpalatable truth. Their success in the late 1980s was partly a mirage, which disguised some strategic misadventures and a lack of discipline about costs.

Last week, corporate Japan made its realisation public. Nissan, the carmaker, announced plans to shut a domestic production plant in a drive to save Y200bn (£1.2bn) in three years, with a cut of 5,000 in its workforce of 53,000. NTT, the telecommunications group, plans to cut 30,000 jobs by 1996.

Restructuring has become publicly acceptable. Nissan and NTT have opened the way for other companies to announce plans to halt a three-year slide in profits.

That fall was set off by the slowdown in economic growth after the the rapid acceleration of the late 1980s. But Japanese companies face more than simply a cyclical slump in demand.

They are starting to acknowledge a deeper malaise. Operating profitability for all industrial companies declined in the 1980s, owing to a steady rise in costs. In addition, the car and electronics companies, which have been the industrial engines of Japan's growth, face saturated domestic markets.

So as companies start cutting costs, they are facing more troubling questions about the way they do business. Have they reached the limits of their traditional methods of management? Will their profits improve only if they retreat from what they have stood for – lifetime employment, a wide array of trend-setting products and a constant effort to expand market share?

The problem stems from the costs left over from the high growth of the late 1980s. The increase in investment between 1986 and 1990 has left behind a depreciation charge which has risen to 4.5 per cent of manufacturing industry's sales. Personnel costs have increased, because white-collar employment in manufacturing has expanded by almost a fifth since 1985. Labour costs per head last year were 25 per cent higher than in 1988.

Japanese companies were able to carry these costs on two conditions: high rates of growth and cheap capital. With the collapse of the speculative bubble economy of the late 1980s, those conditions have evaporated. The result has been a severe profits squeeze. Total profits earned by the industrial sector in Japan this year could be half the level they were in March 1990, according to Mr Peter Norton, chief strategist at Baring Securities.

Until this winter the corporate response to the profits squeeze was superficial. Cuts in executive salaries of up to 15 per cent at companies such as Omron, the electrical machinery maker, have been commonplace. Nippon Steel started locking its doors at the weekend to reduce overtime. The elimination of new-year cards saved the company about Y3m.

Job reductions were confined to workers on the fringe of companies' full-time workforces. JVC, the electronics group, shed about 1,500 part-timers. Kanebo, the textiles and cosmetics group, is retiring 300 workers over the official retirement age.

Deep cuts in investment are widespread and more than superficial. But they will not yield big short-term savings. Nissan is cutting investment by 15 per cent, but its depreciation charge will rise from Y96.9bn in 1990 to Y160bn next year to pay for its past investment.

Until this year most companies had limited themselves to measures such as these. But last month something changed. Companies began to recognise that the downturn would be protracted. A new phase of restructuring began, which typically involves a combination of:

- Changes in senior management. The president of Matsushita, the ailing electronics giant, last week resigned to take responsibility for its poor performance. Bridgestone, the tyremaker, has taken the unprecedented step of appointing as president an executive from its highly decentralised chemical division who has extensive overseas experience.
- Much deeper staff cuts. Iseki, which makes rice-planting machines, plans to cut its workforce by a fifth to 2,300 by November 1995. Mazda, the carmaker, has transferred 5,000 administrative staff to its production lines.
- Retreating from new businesses. Taking advantage of cheap credit in the 1980s, many companies entered the high-growth electronics markets. Now chemicals group Ube Industries, for example, is withdrawing from making floppy discs.

Companies are cutting product ranges to make production simpler and reduce development costs. Nissan plans to cut the number of options it offers with its models – such as styles of steering wheel, interior design – by 35 per cent in three years.

The proliferation of products in the past decade often generated large costs but little revenue. Ajinomoto, the food group, plans to halve its product range to 2,500 items after finding that 40 per cent of its products contributed only 3 per cent its sales.

- Revising corporate structure. Sanyo, the electronics group, has replaced its centralised divisions with eight business units, each responsible for its own profitability under the slogan, "No excuses".

Reducing such costs is a quick way to boost profitability. A 5 per cent cut in administrative costs at the average manufacturer would improve operating profits by more than 25 per cent, said Mr Norton.

But cost-cutting on this scale may not be enough to help manufacturers respond to the longer-term pressures they face: more expensive capital; a decline in prices for electronic goods; mounting competition from low-cost Asian producers, especially in traditional industries such as textiles; and the prospect that Japan's maturing economy will grow only slowly in the 1990s.

These pressures mean further restructuring to come.

International strategies are likely to be reassessed. More companies may follow Shimizu, the construction group, which is pulling out of the UK and Australia. Japanese companies may start to retreat from their ambitious investment plans for the US and Europe, in favour of investment in low-cost production plants in the high-growth economies of south-east Asia.

Within Japan, there is likely to be consolidation within sectors of industry. A 30 per cent fall in paper prices since 1989 has already forced Kanzaki Paper Manufacturing, the seventh largest paper-maker, to merge with Oji Paper, the largest. That followed plans for a merger between Jujo Paper and Sanyo Kokusaku Pulp.

The car industry, with nine manufacturers competing over a slowing market, is another candidate for consolidation. There may have been room for nine manufacturers in the 1960s, when automobile ownership in Japan was growing at an annual rate of about 37 per cent. But in the next few years most analysts expect ownership to grow by about 3 per cent at most. That may not be enough to sustain them all. The tie-up between Honda and Isuzu announced late last year could be the first step in a wider rationalisation of the industry.

The heavily overpopulated electronics industry could also consolidate. One senior executive admitted: "We will no longer be able to make the profits we need just from making hardware. No matter how efficient we are, it just cannot be done."

For the electronics companies, cost-cutting will not be enough. They need new strategies to take them further into high-growth areas, such as software.

As Japan's companies embark upon such changes, they have large resources to draw upon: highly educated workforces employed in efficient, modern factories. They also have a big incentive: the large productivity gains to be reaped from cutting into bloated administrative and office divisions.

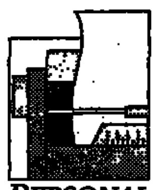
Moreover, the financial pressure upon them is unlikely to ease.

Since previous periods of restructuring in the 1970s and 1980s, the relationship between the Japanese finance sector and industry has changed significantly. In the 1970s, when companies restructured after the oil shock, they relied upon the patient support of their banks. In the 1980s, large companies turned to capital markets for their finance.

Now the banks have their own problems with mounting bad loans. The Tokyo stock market is in the doldrums and Japanese investors are wary. The international capital markets will provide funds, but they will demand that Japanese corporations make an internationally competitive return on investment. That will maintain the pressure for improved profitability.

As Japan's companies start stripping themselves down to their competitive core, many appear to be introspective and uncertain. When they emerge, in three or four years, however, they may be more competitive than ever before.

Growth for sale at One Stop Shops


PERSONAL VIEW

Researchers recently looked at every known scheme around the world for helping small businesses. To their amazement, it seems that every form of scheme has either been started or subsequently tried in the UK. Britain is a great inventor of "schemes" for small business.

But many schemes have confused social objectives (cutting unemployment) with economic goals (maximising wealth creation). They have often been under-funded, chopped and changed, or run by people not trained to provide the necessary quality of service. The sheer multiplicity has bewildered clients: few schemes have had sufficient marketing to reach their target audience, and running them separately has raised costs and reduced effectiveness and led to "turf wars".

As Michael Heseltine, trade and industry secretary, declared last July: "I tell you frankly, we can no longer afford to continue to waste our collective energy on this unhelpful debate."

Mr Heseltine has just run a national competition to pilot the idea of "One Stop Shops" for business support. He wants the shops to target those with the aspiration and potential to grow. These are the people who will really contribute to wealth creation and to Britain's international competitiveness. This is not picking winners, but developing them. It cannot be done by national government, but by good business advisers who can spot and nurture such businesses because they have seen a client's commitment and ambition over time.

A common complaint about business advice agencies is that the information they give is too general. Information technology, however, makes it possible to identify what businesses in a particular area and sector are asking for.

Mr Heseltine has stressed that the shops must make the most of new technologies. They will need to be on-line to commercial databases, and to be connected to each other by electronic mail so that inquiries unknown to one shop can be checked out with others.

Sharing expertise might be reinforced if shops have both a geographic responsibility and sectoral specialisms. IT would also allow video presentations and conferences in which business advisers and individual companies could participate via each shop.

These are the people who will really contribute to wealth creation and to UK competitiveness

Considerable resources are already being spent through training and enterprise councils, chambers of commerce, enterprise agencies and local councils to help small firms. The impact could be greatly enhanced, but it is necessary to be realistic about what activities can become self-financing and what will need subsidy. Public money for One Stop Shops should clearly be for outcomes – *not* inputs. It should not, for example, be linked to "bottoms on seats" on training courses, but to improvements in the client's business performance.

Banks and companies such as Shell and BT have given large amounts of cash, people and expertise to enterprise agencies and other small business initiatives during the past 15 years. Apart from maintaining existing commitments, larger firms can help the One Stop Shops through making available expertise and contacts – for example, in total quality management, "green" auditing and supplier opportunities.

The government has repeatedly emphasised the distinction between policy formulation and delivery of services. There is no reason why the Department of Trade and Industry should deliver services such as consultancy or export advice to companies. In time, most of these can be contracted out to the One Stop Shops.

Once established, it is essential that shops enjoy a period of stability and continuity – and that they are clearly seen not as a government scheme but as local partnerships in which government (not just the DTI) is an active partner.

Cynics believe these One Stop Shops will end up as just one more government scheme. However, combining the vision of a political heavyweight such as Mr Heseltine with the emerging consensus among business support organisations on the ground, a "once in a decade" opportunity is being given to achieve a national network of business advice centres setting world-class standards.

David Grayson

The author is managing director of Business in the European Community's business strategy group

OBSERVER

Show business

■ Top marks to Britain's life assurance industry for resourcefulness under enemy fire and braving a counter-attack in face of hopeless odds.

Under assault from regulators and customers provoked by the sales agents' high-pressure tactics, the industry has mounted the classic defence. It has commissioned a survey showing that six in every seven people think life insurance is valuable if not essential.

Among the survey's more astounding findings is that 70 per cent of respondents actually agreed that policy-buyers who cash them in early deserve to lose out financially. The number believing the sales agent should bear the penalty was only 7 per cent.

In the meantime, however, Observer hears that the industry has also launched a less conventional undercover operation. Companies ranging from Allied Dunbar to Legal & General have begun rattling people's letter boxes with unsolicited suggestions that they might like to change career and become "financial consultants".

One recipient is singer-songwriter Dilly Keane, formerly with the Fascinating Aida trio. She reported on radio the other day that she had just had a second such approach, from Allied Dunbar.

The company's John Morgan, who wrote the letter, said Keane's name was obtained from a marketing company with a very high success rate. So far, though, the only actual recruit from show business was a certain Dennis Lipton, whose wife used to run a stripper-gram enterprise.

King cat

■ Whatever might be said about Lady Thatcher, her loyalty to her old business heroes is admirable. When TV-am lost its breakfast slot, Lady Thatcher wrote to tell chairman Bruce Gyngell how heartbroken she was, especially since she was partly responsible for the legislation which lost TV-am its franchise.

Now it seems she has been consoling Lord King who has lost his British Airways chairmanship somewhat earlier than planned. According to yesterday's Sunday Times a lady called Margaret phoned Lord King to say: "I just wanted to tell you, you were the greatest achievement of my years in office. I am so proud of you."

Whatever the truth of the tale, it is clear that Lord King has not lost his sense of humour judging by his performance at last week's annual dinner of the Institution of Electrical Engineers, where he recounted the story of a hungry mouse. Every time it tried to venture out of its hole, it was terrified by a loud feline "miaouw".

Eventually the "miaouws" were replaced by a dog's bark. Thinking that the coast was clear, the mouse ventured out, only to be pounced upon by the cat. Moral of the tale: it pays to learn a second language, even if you are a cat.

'Is it a bird? Is it a plane? It's soup'

Hwang-power

■ Not everyone believes that Battersea power station is God's gift to the London landscape. But Victor Hwang, who has the job of explaining why his Hong Kong family is venturing where even the UK's most hardened property developers fear to tread, insists that he doesn't want to pull it down.

The 39-year-old Victor is no stranger to Britain. Along with his other three brothers, he was educated at Lindisfarne College. He says his father chose to send his boys to a minor British public school in north Wales because he wanted to keep them well out of the way of London's Chinese community. However, the Hwangs' arrival on the 31-acre Battersea power station site has caught the attention of not just the London Chinese. What is it that the Hwang boys have spotted that has escaped London's canny property types?

Victor remains tight-lipped on his family's plans for London's famous landmark. All he will say is that he probably won't turn the power station into a hotel, because "it doesn't have any windows".

Tory home rule

■ One of the rules of thumb for up-and-coming Tory politicians is that reputations are more easily damaged than enhanced by a Home Office posting. Hence, some surprise at the extensive supporting cast for the Home Office's local government conference.

Health secretary Virginia Bottomley banged on about the need for a firm stand on persistent juvenile delinquents as did John "hellfire" Patten, the education secretary. Even Sir Norman Fowler, the Tory party chairman, was keen to get his message across, opining that law and order would be one of the two great national issues in the local elections in May.

But despite all this tough talk about cracking down on offenders, the underlying impression was left that for many Tories the real villain of the piece is Tony Blair, the shadow home secretary, whose high-profile stance on crime over the past week or so has been threatening to rob the Tories of one of their most prized political assets – a popular belief that Labour is "soft" on the issue.

Phew

■ Norman Lamont can breathe a sigh of relief – well, at least from March 26 he can. The dummy issue of OK! magazine, the monthly glossy being launched by publishers Northern & Shell to rival Hello!, tells us so. The OK! dummy promises not just "exclusive picture stories" and "royal features". Its main headline says: "Everything is going to be OK!"

Caught out

■ Never underestimate the ability of a computer to offer fresh insights into investment conditions. A fund manager was checking a document discussing prospects for rental growth in the UK property market when the computer flashed up the following query: "Rent review". Is this a mistake? Is it the expression *rigor mortis*?

FINANCIAL TIMES
Monday March 1 1993

Muhammad Ali, former world champion boxer, in China to promote the professional sport, is greeted by children at a Beijing primary school

Spectators part with up to a month's salary for the 'Brawl at the Wall'

China boxes clever in the ring

By Tony Walker in Beijing

In a drab stadium in Beijing on Saturday night the workers of China came face to face with the blood, sweat, and the hoopla of American professional boxing. It was billed as the 'Brawl at the Wall'.

The black promoter, Mr Harold Smith, appeared elegantly attired in a dinner jacket. Local girls, in short white skirts and matching tops, semaphored each new round. Many in the crowd, bemused and exhilarated by the spectacle, had spent a months' wages on a single ticket.

Muhammad Ali, boxing envoy, former world champion, and sporting icon, was introduced to the cheering crowd. He moved hesitantly and raised his arm slowly in acknowledgement. Mr Han, a producer for Chinese television which was broadcasting the event to millions, caught the mood of joyful puzzlement: "It's crazy, but I like it."

If China, preparing for an Olympic bid in 2000, needed a lesson in sports promotion, it certainly got one. Hooded fighters were greeted on their arrival in the ring with their signature tunes blaring from amplifiers. A honey-voiced American ring announcer boomed out their details. The bill included five bouts, featuring ten boxers, whose abilities were not undersold.

At ringside sat the American promoters, managers, attorneys, wives, mistresses, girlfriends, sponsors and other assorted hangers-on.

Among many bizarre moments during a long night which combined American and Chinese entrepreneurship in unlikely circumstances was the brief opening ceremony.

Hardened veterans of the American fight game became misty-eyed at the playing of the US national anthem on the site where not many years ago mass rallies would be held to denounce American imperialists and all their works.

When American Leeonzer Barber retained his World Boxing Organisation (WBO) light-heavyweight crown over countrymen Mike Sedillo, it was probably the first time a world title fight had been staged on Chinese soil, certainly since the Communist revolution in 1949, and perhaps for many years before.

China's rulers banned boxing as cruel, exploitative and capitalist, but in 1986 the ban was lifted after the Chinese began to move back into the mainstream of international sport.

Entering into the diplomatic spirit of the occasion the fighters – nine out of the ten were Americans – said they had come on a mission of peace, never mind that inside the ring several exhibited murderous intent.

Chinese media reporting revealed a certain lack of expertise. A reporter for the official New China news agency described as a "demonstration" the first bout between a hulking Kevin Ford and a puny, by comparison, Keith McMurray. This is likely to have been news to a battered McMurray who was sent crashing to the canvas several times.

THE LEX COLUMN

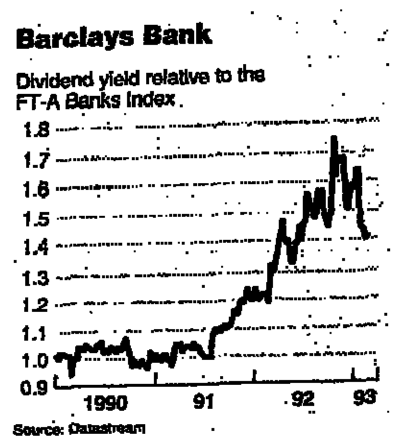
Dividend dilemma

The moment of truth arrives for Barclays Bank this week when it must decide on its dividend for 1992. The stock market assumes the payout will be maintained despite large property lending losses. But should Barclays blithely pay a dividend out of reserves as if nothing adverse had occurred? The question, if the bank and its shareholders are being honest, is far from easy.

A bad reason for doing so would be to save the skin of Mr Andrew Buxton, the bank's executive chairman who was managing director for a period from 1988 when much of the bad property lending was approved. A cut dividend would almost certainly set the City baying for blood. It might no longer be possible for Mr Buxton to satisfy his critics simply by splitting the functions of chairman and chief executive.

Yet a cut dividend could also imply the bank was gloomy view about its own prospects despite the succession of interest rate cuts since last September. The signal would be seriously misleading if the real reason was to atone for past mistakes. Barclays would have some justification for maintaining its dividend if it felt confident of continued growth in operating income – provided the cost to its reserves did not impair its ability to finance higher lending in the recovery. Having squandered the proceeds of its 1988 rights issue, it can scarcely ask shareholders for more.

All other things being equal, an unchanged final dividend costing around £195m would knock only about 20 basis points off Barclays' tier one capital ratio. That would leave it at around 5.7 per cent, substantially above National Westminster's 5.2 and comfortable enough for this year. But that assumes no more nasty surprises in this week's results. Barclays must also decide if it will be able to retain enough future earnings to rebuild reserves going forward. That is the test for the dividend. Even if it passes, shareholders should still ask why a system of collective responsibility for lending decisions turned out to be a system that effectively absolves management of any responsibility.



GEC

There are echoes of the 1980s about GEC. Recovery, when it arrives, will once again challenge GEC's cash holdings, while the company faces new management issues. Lord Weinstock has devolved responsibility for many of the best hopes to joint ventures. Running the defence operations is the management of long-term decline. Striking out in a radically new strategic direction hardly fits with the company's careful culture.

That caution has done the company no harm with the market recently, despite the fall in interest rates. In part that is because some of the company's cash is held in French francs within GEC-Alsthom, and so has been insulated from the fall in UK rates. But the yield premium on the shares has also fallen as fund managers have revalued the company's financial strength and ability to grow its dividends ahead of the market average. GEC now yields only slightly more than the FT-A All-Share index but is still generating cash and has a dividend cover of 1.9 times.

Operations, however, look less rosy. Defence is fighting for profits in a declining market. The gradual run-down of the BT System X business also puts the telecoms operations on he defensive. Only the GEC-Alsthom power systems and transport joint venture offers the prospect of significant growth, but that division contributed only 22 per cent of last year's profits. Perhaps the company is holding its cash to force good terms from the government for GEC investment in public projects, but that may come to nothing. And however good the dividend record in the 1980s, Lord Weinstock's reluctance to spend may be extended to shareholders if he believes lower dividend cover would cramp his room for manoeuvre.

Hong Kong

The poker game between Mr Chris Patten and the Chinese government gets more absorbing, not least because it is unclear who is bluffing. By rallying to within an ace of all-time highs, the market clearly believes a fudge will be agreed behind the scenes, presumably with the British doing most of the backing down. Such a deal is also expected to include agreement on the new airport and associated large construction contracts.

That view may be too sanguine, given the void between Mr Patten's public position and the apparently implacable Chinese opposition. Even if the gap can be bridged it will take time, and the market will not keep patience forever. Besides, the Legislative Council is no longer just a rubber stamp and requires a reasonable period to debate the proposals before the end of the session in July. If Mr Patten cedes too much to Beijing, he may also get flak from the democratic reformers who, thus far, have been his main support. None of that will lower the political temperature in the colony, however much the business community wants to hush up the whole affair. The market thus remains vulnerable, all the more so since over half the Hang Seng's earnings still come from property, which can hardly move to safer shores.

UK gilts

The gilts market is whipping itself into a frenzy of anticipation about a change to the full funding rule in the Budget. Today sees yet another recommendation to that effect, this time from Midland Montagu. At this rate the market will be very disappointed if Mr Lamont does not oblige. That must be doubly irksome to the Treasury. The main advantage of conceding the change would not have been immediate sales of gilts to banks: the yield curve is not nearly steep enough to tempt them and even Treasury bills are too expensive. But the authorities would have derived tactical gain by announcing the change as asurprise. They could then have funded aggressively into a rising market.

Indeed, if Mr Lamont can pull something out of the hat to make the market feel good, this would still be a sensible Budget day strategy. Tax concessions to retail buyers of gilts would help, as would a downward revision of the PSBR. More effective would be a foreign currency borrowing programme. That would be controversial but it makes more sense to borrow abroad with sterling at DM2.33 than it did to defend a higher parity within the ERM.

Indian budget ends economic squeeze

By Stefan Wagstyl in New Delhi

INDIA unveiled a wide-ranging package of reforms designed to integrate the country further into the global economy, including full flotation of the rupee on foreign exchange markets.

Mr Manmohan Singh, the finance minister, who announced the measures on Saturday during his annual budget speech, also signalled an end to the tough economic squeeze which he put in place in July 1991, and the start of a strong push for export-led growth.

The budget was widely seen as a determined effort by the government to put the economy back at the centre of the national agenda – and push aside the inter-religious passions raised by the destruction of the Ayodhya mosque in December. Mr Singh said India could not afford to spend time "appearing to be absorbed with obscurantist preoccupations and sectarian divides".

The budget was also portrayed as an attempt by the ruling Congress (I) party to recover votes lost through the government's poor handling of the Ayodhya crisis. The opposition right-wing Hindu Bharatiya Janata party, whose supporters stormed the mosque, condemned it "as an electoral lozenge".

Mr Singh cut interest rates by 1 percentage point, from 18 per cent to 17 per cent for commercial borrowers, cut the maximum rate of import duty from 110 per cent to 85 per cent, and reduced excise taxes. He announced tax breaks for investors in key sectors such as power, where India suffers chronic shortages, and introduced plans for further financial reforms.

The finance minister also greatly increased spending on education, agricultural development and infrastructure. These rises will soften the impact in rural areas of planned further cuts in fuel and fertiliser subsidies.

To the surprise of many economists, Mr Singh both cut revenue sources and increased public spending without raising government borrowing.

Finance ministry officials explained he could do this because the severity of previous tax increases created room for manoeuvre. The target for the fiscal deficit for the year 1993-94, starting April 1, is to be 4.5 per cent of gross domestic product, down from just over 5 per cent this year. This is slightly above the 4 per cent target favoured by the International Monetary Fund and World Bank, but close enough to allow them to continue supporting Mr Singh and his policies.

Mr Singh said his budget would promote growth and boost exports and denied it was inflationary. The government expects GDP growth to rise from a likely 4 per cent this year to 5-5.5 per cent. Annual inflation is expected to fall from 7 per cent now to 5-6 per cent. Foreign investment, of which $2.3bn has been approved since the reforms began, is expected to grow further.

Letting the economy go, Page 5
Asia Watch on Kashmir, Page 5

Christopher plays down risks of Bosnia air-drop mission

By Jurek Martin in Washington and Laura Silber in Belgrade

MR Warren Christopher, the US secretary of state, yesterday played down the risks to US air crews as final preparations for air-drops of relief supplies into Bosnia were under way.

He said the operations were "a risk well worth taking" and probably involved less danger than existing relief flights into Sarajevo airport.

He claimed that the fact that ground convoys were experiencing fewer difficulties in getting through might reflect the imminence of the US air-drops. "It is a statement of greater US involvement."

In a television interview yesterday, Mr Christopher said the weekend dropping of leaflets about the impending operation had been "successful and routine". Forces at the US airbase near Frankfurt in Germany were reported to be on stand-by to begin flights.

He also sought to play down domestic criticism that the US was being drawn into a Balkan quagmire. Citing the number of missed opportunities in the last 18 months to control the conflict, he argued that now, "the great risk is that we do nothing".

He noted the dangers of a wider Balkan conflict and added: "We have a stake in preventing the world from going up in flames."

Mr Christopher also firmly rejected the notion that the countries of Europe were not doing enough to help. "There is a division of labour and responsibility," he said, noting the presence of British, French, Spanish and Canadian troops in Bosnia and the use of Nato Awacs surveillance aircraft.

However, there would be a US ground presence and this was "a serious commitment", manageable only if undertaken with participation by European nations.

In advance of the air-drops, two Hercules C-130 cargo aircraft on Saturday scattered boxes containing a million leaflets over eastern Bosnia urging people not to open fire on the aircraft and to stay clear of the falling crates.

But first reports from Gorazde, a besieged town in eastern Bosnia, said the leaflets had missed their mark. Mr Hadzo Effendic, the mayor, said no leaflets had landed in Gorazde, reported Radio Zagreb. The radio quoted Mr Effendic as saying some leaflets had fallen in the no man's land between the frontlines. He said no leaflets landed in Srebrenica and Zepa, government strongholds in eastern Bosnia.

Croat-Moslem row, Page 2
Allied doubts persist, Page 2

Bundesbank sees lower rates

Continued from Page 1

to no special conclusions on currencies.

Speaking after Saturday's meeting, a senior US Treasury official said he would like to see Japan take steps to boost its economy through fiscal measures and "a further reduction" in German interest rates.

Mr Yoshiro Hayashi, the Japanese finance Minister, said the high level of unemployment in many developed nations was "a grave issue". But he said Japan had "no intention" of taking extra fiscal measures on top of a special package agreed in August and existing budget plans.

Mr Lamont said he did not envisage cutting UK interest rates at present, and that the British economy should show stronger growth next year than Europe as a whole.

With additional reporting by James Blitz and Emma Tucker in London and Christopher Parkes in Frankfurt.

World Weather

		°C	°F			°C	°F			°C	°F			°C	°F			°C	°F			°C	°F
				Boulogne	F	2	36	Frankfurt	F	2	36	Majorca	F	10	50	Oporto	F	10	50	Tenerife	C	16	61
				Brussels	S	3	37	Geneva	C	2	36	Malaga	F	12	54	Oslo	F	0	32	Tokyo	S	13	55
				Budapest	S	3	37	Gibraltar	S	13	55	Malta	F	16	61	Paris	F	2	36	Toronto †	S	-18	0
Ajaccio	R	–	–	Buenos Aires	F	30	86	Glasgow	F	3	37	Manila	F	32	90	Prague	S	0	32	Tunis	C	10	50
Algiers	C	9	48	Cairo	S	23	73	Helsinki	S	-5	23	Melbourne	S	13	55	Reykjavik	Dr	5	41	Valencia	F	8	46
Amsterdam	F	3	37	Cape Town	S	25	77	Hong Kong	S	19	66	Mexico City		–	–	Rhodes	F	14	57	Venice	C	7	45
Athens	R	10	50	Caracas		–	–	Innsbruck	F	3	37	Miami †	S	12	54	Rio de Janeiro	C	34	93	Vienna	C	1	34
Bahrain	S	24	75	Casablanca †	C	13	55	Inverness	C	1	34	Milan	R	4	39	Rome	F	15	59	Warsaw	S	2	36
Bangkok	F	33	91	Chicago †	S	-12	10	Islamabad	F	19	66	Montreal †	S	-21	-6	Salzburg	C	0	32	Washington †	S	-4	25
Barcelona	F	9	48	Cologne	C	2	36	Istanbul	S	9	48	Moscow	F	-4	25	S'Francisco †	F	7	45	Zurich	C	0	32
Beijing	S	2	36	Copenhagen	F	2	36	Jakarta	R	32	90	Munich	C	-2	28	Seoul	F	1	34				
Beirut	S	15	59	Corfu	F	12	54	Johannesburg	S	24	75	Nairobi		–	–	Singapore		–	–				
Belfast	C	3	37	Dallas †	C	7	45	Lisbon	S	10	50	Naples	S	15	59	Stockholm	C	-1	30				
Belgrade	S	6	43	Dublin	F	3	37	London	C	2	36	Nassau	C	26	79	Strasbourg	F	1	34				
Berlin	Sn	0	32	Dubrovnik	S	14	57	Los Angeles †	S	8	46	New Delhi	S	15	59	Sydney	S	28	82				
Biarritz	C	4	39	Edinburgh	Sn	1	34	Luxembourg	S	1	34	New York †	F	-6	21	Taipei	C	14	57				
Bombay	S	29	84	Faro	S	11	52	Madeira	C	14	57	Nice	R	7	45	Tangier	S	10	50				
Bordeaux	F	4	39	Florence	C	13	55	Madrid	F	5	41	Nicosia	S	17	63	Tel Aviv	S	18	64				

Temperatures at midday yesterday
† Noon GMT temperatures
C – Cloudy Dr – Drizzle
F – Fair Fg – Fog H – Hail
R – Rain S – Sunny
Sl – Sleet Sn – Snow
T – Thunder

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FINANCIAL TIMES
COMPANIES & MARKETS
Monday March 1 1993

INSIDE

Norway's authorities criticised on Uni raid

A Norwegian government-appointed commission has criticised the country's finance ministry and Banking, Insurance and Securities Commission for failing to prevent the disastrous raid by Uni Storebrand, Norway's biggest insurer, on Skandia, its Swedish rival. The report examines the events following the bid which culminated in Uni's collapse into the hands of public administrators. Page 17

Fairbriar expects relisting

Fairbriar, the insolvent property developer which had its shares suspended at 8p in September 1991, is likely to be relisted on the Stock Exchange in the next few weeks. That would pave the way for what is believed to be the first example of a British company being relisted intact since administration orders were first introduced in the 1986 Insolvency Act. Page 16

Locking into low rates

The Eurosterling sector of the international *bond market is poised for a rise in new issuance*, as more borrowers take the view that the time is right to lock into the lowest interest rates the UK has enjoyed for 20 years. Page 19

Lean times for US Republicans

At times Republicans are confronted by a politician so perfect that he might be an android built in some mad scientist's lab. President Bill Clinton's remarkable personal attributes, coupled with seismic changes in the economic, social and diplomatic environment, suggest US conservatives may face some very lean years. Back Page

Backing for Trafalgar House

Trafalgar House's institutional shareholders *have backed the group's controversial £204.5m ($290m)* rights issue ahead of an extraordinary general meeting today to approve the transaction. However, the board is bracing itself for criticism from small shareholders. Page 16

Prospective p/e ratio

The latest prospective p/e ratio for the "500" index for calendar 1993 is 14.2 (Last week: 14.2). This compares with an estimated p/e for the "500" of 17.4 (17.3) for calendar 1992, calculated by IBES, based in New York. The *official FT calculation of the historic p/e*, based on the latest reported earnings, is 17.74 (17.68).

Market Statistics

Companies in this issue

FT correspondents assess the mood of big company bosses in continental Europe

Crisis of confidence among business leaders

Continental Europe's big company bosses have written off 1993; most expect no improvement in the economic climate until next year. That is the common theme running through conversations with leading executives in the past few weeks.

Their eyes are fixed firmly on Germany, Europe's largest economy and one facing some of the most difficult problems over the next few years.

German bosses have no illusions. Mr David Herman, chairman of Adam Opel, the German arm of General Motors, paints the darkest picture. Opel will still make profits this year, but they will be reduced. Beyond that, he makes no guesses. "Business confidence is not yet down at post-war lows, but the mood trend is the steepest downward curve seen since the war."

Mr Edzard Reuter, chairman of Daimler-Benz, Germany's biggest industrial company, cites a similar time scale. The post-war trend of steady growth interrupted by brief slowdowns and characterised by continuously improving prosperity has apparently come to an end, he says. This has created a pressing need for change in expectations and behaviour within Daimler, German industry and German society at large.

Structural change at Daimler, including harsh cuts at the core Mercedes-Benz motor business, is underpinned by efforts to persuade the workforce that today's business conditions require revolutionary changes in behaviour.

"The relationship with our people and the unions should be changed," says Mr Herman. "We all need to open our eyes and see things in a worldwide perspective".

In charge for only a few months, he is clearly shocked by the routine 10 per cent absenteeism for sickness. "Who would ever have dreamed that the UK would have 50 per cent the sickness rate of Germany?"

Veba, the big German energy company, also finds local costs its most pressing worry. "It is essential for Germany to remain competitive in terms of production costs", the company says, "in order to protect market positions against low-cost producing nations, especially in eastern Europe."

Mr Hilmar Kopper, chief executive of Deutsche Bank, Germany's largest bank, says the gloom spread by the current cyclical downturn has been compounded by a revival of doubts about Germany's ability to attract investment and broader issues of structural change.

However, he feels the depression is overdone. When the going becomes rough, Germany tends to labour under a sort of "hysteria" which exaggerates the real scale of the problem, he says.

Opel's Mr Herman ascribes part of the gloomy outlook to the Bundesbank's high interest rate policy and adverse exchange rates. "But that's not an issue with me", he says, "because I can't affect it".

If German business leaders cannot influence the Bundesbank, others feel even more impotent. Mr Carlo De Benedetti, chairman of the Olivetti computers group, is particularly critical of the Bundesbank's policies, which he believes are stifling growth in Germany and exporting recession to other European countries.

Mr Jean-René Fourtou, chairman of Rhône-Poulenc, France's biggest chemicals group, says a cut in French and German interest rates after the elections in France next month is indispensable. "The state of the European economy is worse even that during the 1973 oil-shock. I don't expect it to improve until 1994 at the earliest," he says. His finance director, Mr Jean-Pierre Tirouflet, warns that without a cut in interest rates, France risks the destruction of its industrial base.

Those who have escaped, through devaluation, from the strait-jacket of German interest rates bless their good fortune. Mr Bo Berggren, president of Stora, Europe's largest pulp and paper group, takes comfort in the drop in the Swedish krona. Thanks to that, and to signs that overcapacity in pulp and paper is gradually being absorbed, he feels relatively optimistic. "If things do not get substantially better in the next two years, I would be very disappointed."

Mr Giorgio Garuzzo, chief operating officer of Fiat, Italy's biggest private sector company, draws comfort from the decision to take the lira out of the exchange rate mechanism. The lira's float "is very positive for the Italian economy and for Fiat," he says. Although it will probably take at least six months, and possibly a year, for the full benefits to come through for Fiat, "our competitiveness has been greatly enhanced".

Reports from: Christopher Parkes in Bonn, Christopher Brown-Humes in Stockholm, Alice Rawsthorn in Paris, Haig Simonian in Milan, Ian Rodger in Zurich and Paul Abrahams in London

Demand in the Italian car market, Europe's second biggest, is a concern, however. Last year it stayed relatively buoyant, but has been falling in recent months. January's figures showed a fall of almost 14 per cent on the same month the previous year.

The outlook for the European car industry is of prime concern to Mr Mauritz Sahlin, group chief executive at SKF, the world's leading roller bearing manufacturer. "Consumer confidence is so low in Europe that people are saving money rather than spending it on cars and household appliances," he says. "Until consumer confidence picks up, it's not very likely that there will be any increased demand in the European market." In Germany, Opel's Mr Herman says: "Consumer confidence is in free fall."

If those who rely on selling consumer durables such as cars are gloomy, one man who sells lower-priced consumer goods is noticeably more cheerful. Mr Nicolas Hayek, chairman of Switzerland's SMH, the world's largest watch making group, sees "many signs" of consumer confidence recovering, especially in France, the UK and Germany.

France was also singled out for optimism by Stora's Mr Berggren, who says firm French and improving UK markets are offsetting the downturn in Germany.

This optimism about France from its neighbours contrasts with an almost uniformly pessimistic view from industrialists in that country. Mr Louis Schweitzer, chairman of Renault since last year, was boasting in mid-1992 of the company's best sales performance for a decade. He struck a far gloomier tone two weeks ago: the group barely broke even in the final quarter, because of sluggish sales and the handicap of the strong franc. Mr Schweitzer has no doubt that Renault is on course for another difficult year in 1993.

Alcatel Alsthom in electronics, LVMH in luxury goods, Péchiney in packaging and Michelin in tyres have all experienced a deterioration in trading conditions since the autumn; all have suffered from the rise of the franc.

Coping with a weak economic outlook is particularly hard when an industry is undergoing wrenching technological change. Mr De Benedetti's Olivetti, like other computer companies, is undergoing just such an experience. As a result, analysts say, it is likely to report a 1992 net loss which could reach L750bn ($472m). Mr De Benedetti's one dominant concern for the group "is to convince our large customers that we will be around in five years".

For some business people, it is the threat to society, rather than to their own companies, that is the most serious concern. Mr Josef Ackermann, new chief executive of Credit Suisse, argues that though the European economy should start to pick up next year, an investment-led upswing will not be strong enough to bring about a significant reduction in unemployment.

"This is cause for great concern," he says. "The danger of protectionism will increase, raising the threat of a complete breakdown of the Gatt negotiations. High unemployment in general, and mass unemployment in certain countries, regions and cities, as well as among young people, will place the social and political fabric under pressure."

SMH's Mr Hayek also stresses the social threat of unemployment. "I just hope we will not see an extremist coming with a plan to build autobahns, as we did 60 years ago," he says.

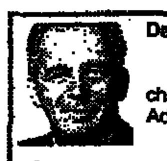
Several of those interviewed stressed the need for government actions. Mr Jorma Ollila, president of Nokia, the Finnish consumer electronics and telecommunications, company, points to a hopeful transatlantic example: "The fact that we have a leader in the US who is clearly trying to address the economic issues brings a certain amount of optimism about a healthy long-term development there."

Few were as positive about European governments. Daimler-Benz's Mr Reuter says there are economic policy vacuums in European capitals. He wants a framework industrial policy for the EC bound together by a common European currency. "The roots of our problems lie in the lack of convincing European solutions," he says.

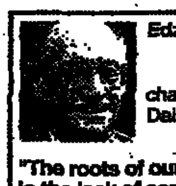
Mr Leonardo Vannotti, president of Ascom, the Swiss telecommunications manufacturer, speaks for others when he asks: "How can I be optimistic when I do not see any concerted action in Europe to get things moving?"

Headaches for the heads of industry

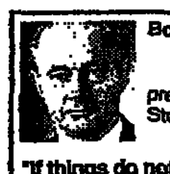
Jean-René Fourtou
chairman of Rhône-Poulenc
"The state of the European economy is worse even than during the 1973 oil-shock. I don't expect it to improve until 1994 at the earliest."



David Herman
chairman of Adam Opel
"Consumer confidence is in free fall."

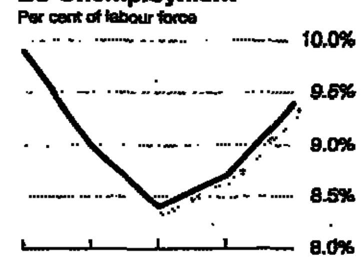


Edzard Reuter
chairman of Daimler-Benz
"The roots of our problems lie in the lack of convincing European solutions."

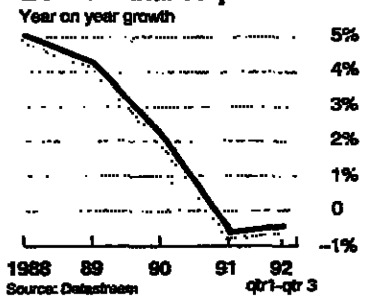


Bo Berggren
president of Stora
"If things do not get substantially better in the next two years, I would be very disappointed."

EC Unemployment
Per cent of labour force



EC Industrial output
Year on year growth



Source: Datastream

Lonrho in talks with Gencor to raise cash

By Roland Rudd in London

LONRHO, the international trading group, is in talks with Gencor, South Africa's biggest mining house, about a cash raising exercise which could see its shareholding in Western Platinum reduced to 51 per cent.

The proposals are part of the group's recently unveiled strategy of reducing debt by selling stakes in core businesses. Lonrho has put the value of Western Platinum at £1bn ($1.42bn), though independent brokers say it is worth only half that.

Lonrho wants to wipe out the borrowings of the three platinum mines, which have risen to more than R800m (£180.5m).

Talks between Lonrho and Gencor, which has a 27 per cent stake in Lonrho's platinum assets, have been under way *since the end of last year*.

According to a Lonrho executive the group has narrowed its options down to three proposals:

- Gencor would buy a further 22 per cent of the platinum mines, taking its stake to 49 per cent.
- The platinum mines would be floated off as a separate company on the Johannesburg Stock Exchange.
- Lonrho's platinum assets would be put into one of its existing investment companies, such as Tweefontein United Collieries, which is quoted on the Johannesburg Stock Exchange. The investment company would then have a rights issue to raise funds.

It is understood that Lonrho directors hope the talks will reach a conclusion within a fortnight. An announcement may then come as early as this month.

However, the recent fall in the prices of precious metals means all three proposals would be more expensive than first envisaged. Since the beginning of the year the price of rhodium has fallen from $1,800 an ounce to around $1,450, while the value of platinum fell from $370 an ounce to $350.

Lonrho last year broke off merger talks with Gencor when it decided to a deal with Mr Dieter Bock, the German financier. Mr Bock joined the group's board as joint chief executive with Mr Tiny Rowland. Lonrho *decided against merging with* Gencor because it did not want to be South African controlled. Mr Rowland has said the group only needed 51 per cent of its key assets to retain control.

Time for west to help Russia's transformation

Economics Notebook

By Leyla Boulton in Moscow

The impression in the west that chaos and confusion are overwhelming both Russian politics and the economy is only partly true.

The paradox is that in spite of its mounting troubles, Russia has perhaps come closer to grappling with crucial reforms than ever before.

The west, which has much to lose if attempts at a relatively peaceful transition to a market economy collapse, also has a good opportunity to help the best reformist government that Russia is likely to get in the foreseeable future.

For in spite of the drama surrounding the power struggle between President Yeltsin and the parliamentary chairman, the threat of hyperinflation is helping to focus at least some minds on the need for painful macroeconomic stabilisation.

An unprecedented growth of money supply – culminating in the issue of Rbs1,600bn of central bank credit in December alone, or 60 per cent of national income – helped push weekly price increases to hyperinflationary heights of 10 per cent a week in January.

With inflation back down to 5 per cent a week, the government on Wednesday finalised a plan to restrict money supply growth to 7 per cent a month. This would be accompanied by selective support for state-owned enterprises, and continuing to build badly-needed market institutions.

Many of the pre-conditions for effective reform which were missing last year are also now in place.

As inflation fuelled by an unprecedented growth in money supply has ravaged living standards, the government no longer needs to justify financial austerity as part of a comprehensive reform package it is now trying to implement.

The government is also finally forcing other former Soviet republics to drop the rouble as their currency unless they co-ordinate monetary and credit policy with it.

Bankruptcy and other key legislation is in place. The country is now even building proper borders with other republics which should help it implement foreign exchange controls.

And in spite of dismay over the fall of Mr Yegor Gaidar, the reformist prime minister who launched economic shock therapy but abandoned it under political pressure, the government itself has become more effective since his departure.

Mr Boris Fyodorov, the new deputy prime minister for economics and finance, has both the expertise and the time which Mr Gaidar never had as prime minister, to focus on what he calls the "elaboration and detailisation" of the Gaidar strategy.

For this he has the support of Mr Viktor Chernomyrdin, the new prime minister who has the advantage of being elected by parliament and therefore does not need to constantly fight for his political survival.

What happens next largely depends on talks between the government and the central bank, described by a government economist as "a lengthy persuasion process".

The central bank has come back with counter-proposals to those of the government which include setting money supply growth at 20 per cent a month. But the bargaining has only just begun.

Previously, the government engaged in political polemics by blaming the central bank for the failure of last year's stabilisation attempts.

Now, Mr Fyodorov is working hard to reform the relationship so that both sides recognise their responsibilities: the central bank to defend the currency, and the government to implement the economic reform it has talked about.

Mr Fyodorov also wants the central bank to restrict the government to commonly agreed credit expansion limits. And he believes the government should pay a higher interest rate for central bank credits. At present it has paid just 10 per cent a year, compared with 80 per cent paid by commercial banks.

Such a practice would in turn mean admitting to a much bigger budget deficit than the 5 per cent of Gross Domestic Product proclaimed last year and planned in earnest for this year. If cheap credits to the government were factored into the calculation, the deficit would be closer to 30 per cent.

This is where the west, which last year found a convenient excuse to wait and see about financial aid as Mr Gaidar failed to live up to promises made to the IMF, can make a big difference.

Tied to specific conditions such as the selective distribution of credit to enterprises and the building of a social safety net, western transfers would lessen the hyperinflationary pressures caused by printing money to cover spending which cannot be cut overnight.

Continued technical assistance is also vital, with focus on the provinces rather than Moscow, which is already saturated with foreign advice.

While some of Russia's problems are connected to internal politics, including the present conflict between the executive and the legislative branches, fear and ignorance over what should be done is even greater.

A few regions of Russia are boldly pressing ahead with reform with the help of western advisers. Others, though, fearing unpopularity and not knowing any better, are falling back on the even more dangerous formula of half-baked reform.

Another danger is Russia's old habit of preferring talk over action, and setting up new rules and superfluous structures to tackle old problems. Typical is the recent establishment of a new presidential body to attract foreign investment (duplicating an existing government agency which itself replaced a committee), when what is really needed is the removal of very basic obstacles to investment.

It is more important than ever that the west should not be cowed by the confusion in Russia, but should declare itself ready to provide targeted assistance as soon as the authorities produce some proof of their resolve.

President Bill Clinton, who has some well-informed Russia experts in his administration and meets President Yeltsin on April 4, would do well to consider providing the leadership for a concerted western aid policy whose time has now come.

Airtours expected to raise bid for Owners

By Richard Gourlay in London

AIRTOURS IS today expected to increase the terms of its hostile all-share bid for rival holiday group, Owners Abroad, to 135p a share, 20p higher than the market price at Friday's close. The new bid will value Owners Abroad at about £270m ($383m), up from £225m.

The new terms are likely to involve Airtours raising its three-for-eight share offer to 15 of its own shares for 24 Owners Abroad shares. Airtours is not expected to increase the partial cash alternative unless the Owners Abroad board recommends the bid. Mr Howard Klein, Owners Abroad chairman, and Mr David Crossland, Airtours chairman, met last Wednesday – as did their advisers on Friday – but failed to agree terms for a recommended bid.

Airtours is understood to believe its target is holding out for too high a price. Owners Abroad's advisers say its rival has failed to appreciate the value of the proposed tie-up with Thomas Cook, the travel agents and financial services company controlled by the German state bank, *Westdeutsche Landesbank*.

On Friday Owners Abroad posted its last defence document to shareholders. This followed the decision by Mr Michael Heseltine, the UK trade and industry secretary, not to refer Airtours' bid to the Monopolies and Mergers Commission. Airtours must post its last document to Owners Abroad shareholders – including any substantial new information – by this Friday.

Board braced for criticism from small shareholders

Institutions back Trafalgar cash call

By Roland Rudd

TRAFALGAR HOUSE'S institutional shareholders have backed the group's controversial £204.5m rights issue in advance of an extraordinary general meeting today to approve the transaction.

Proxy votes received by Trafalgar are understood to show a clear majority in favour of a cash call at 60p a share. Nevertheless, the board is bracing itself for criticism from small shareholders at today's meeting.

News that the Institute of Chartered Accountants in England and Wales is investigating the group following its decision to restate its 1991 accounts has cast a shadow over the egm. The Institute said it had not launched any formal investigation against the accountants associated with Trafalgar House. Mr Andrew Colquhoun, secretary of the Institute, said the inquiry followed automatically after the Financial Reporting Review Panel forced the group to bring a £138m write-down on property assets into its profit and loss account. This turned a reported £122.5m profit into a £30m loss.

Mr Colquhoun said it was too early to say whether any accountants on Trafalgar's board would be reported to the Institute's disciplinary committee. There are four accountants on Trafalgar's board – Mr John Ansdell, financial director, Mr David Calverly, property division chairman, Mr Ian Fowler, company secretary, and Sir Eric Parker, deputy chairman.

The inquiry comes as a number of Trafalgar's executives believe Hongkong Land, which is expected to shortly take its stake up to 29.9 per cent, is preparing to push through a series of management changes as well as bringing in new financial advisers.

Mr Allan Gormly, Trafalgar's chief executive, said there were no planned changes to the group's advisers, which include Kleinwort Benson and UBS Phillips and Drew, or to the board other than those already announced. He condemned the "speculation" surrounding people's future and described Trafalgar's relationship with Hongkong Land as very good.

However, the company believes that it would not be surprising if over a period of time a number of changes were made at the behest of Hongkong Land.

NFC sees 1993 as year of growth

By Angus Foster

NFC, the transport and logistics group, yesterday forecast growth in profits and earnings of between 6 per cent and 10 per cent this year, thanks to acquisitions and an expected upturn in the US.

Mr Jack Mather, chief executive, said the company's "best view" forecasts were for profits before tax of between £95m and £100m in the year to end-September, compared with an adjusted £89.9m last time.

Mr Mather told several thousand NFC shareholders, gathered in Nottingham for the company's annual meeting, that first quarter profits before tax increased 10.2 per cent to £19.5m. The logistics division increased operating profits 48 per cent to £17.5m, helped by US growth, favourable exchange rates and lower restructuring costs.

Neither the first quarter figures nor the profits forecast take into account NFC's sale of its waste management subsidiary in January. The company was sold for £113m to Wessex Waste Management, the joint venture between Waste Management International of the US and Wessex Water.

First quarter turnover increased 12 per cent on continuing operations, while turnover including acquisitions and disposals increased 11 per cent to £557.4m. Interest costs increased sharply to £6.6m (£2.3m), reflecting higher borrowings to finance acquisitions.

Last year gearing increased from 29 per cent to 55 per cent.

Earnings increased 8 per cent to 2.7p. A first interim dividend of 1.35p is being paid, a 3.8 per cent increase. Full year earnings are set to increase from 11.7p to between 13p and 13.7p, the company said.

Mr Mather retires today and is replaced by Mr Peter Sherlock, who resigned from Bass last year.

Relisting expected following restructure at Fairbriar

By Andrew Jack

FAIRBRIAR, the insolvent south-east based property developer which had its shares suspended at 8p in September 1991, is likely to be relisted on the Stock Exchange in the next few weeks.

The joint administrators from Ernst & Young, the accountancy firm, have applied to the High Court to be released from their appointment following the approval by creditors in late January of a company voluntary arrangement.

That would pave the way for what is believed to be the first ever example of a British company being relisted intact since administration orders were first introduced in the 1986 Insolvency Act.

Under a restructuring proposal accepted in late January, unsecured creditors have been offered £400,000 in cash and 3.45m new shares in exchange for outstanding debts.

Preferential creditors will be paid in full at £200,000. An interim distribution is expected within four months. There will also be a subscription of 7.67m new shares at 1p.

The Bank of Scotland will receive 4.13m ordinary shares, 8.82m convertible preference shares and up to £10.6m in zero coupon secured loan notes. It will extend a new working capital facility of £2.5m.

Mr Terry Carter, one of the joint administrators, said the allocation of shares between the creditors was based on "a horse trade". He said Fairbriar showed that administrations to save a company could be made to work.

He added that failure to achieve approval for the company voluntary arrangement would have led to liquidation, with the loss of tax credits worth tens of millions of pounds and little prospect of any dividend for creditors.

The company's properties are valued in the balance sheet at £51.9m at March 31 1992, against borrowings of £81.9m. Contingent claims from unsecured creditors are believed to total about £25m.

Under the proposed restructuring, debt would be reduced to £60.3m leaving the company with an accumulated deficit. No dividend will be paid until this is removed.

The relisting follows approval at a series of creditors' meetings on January 22 for a company voluntary arrangement.

Hambros to float insurance subsidiaries

By Richard Lapper

HAMBROS, the merchant banking group, is completing plans to float some of its insurance subsidiaries on the stock market and expects to go ahead with an issue designed to raise more than £30m by the end of the month.

Hambros, which sold part of its stake in CE Heath, the insurance broker, last year, will retain a stake of about 50 per cent in the new company, Hambros Insurance Services Group.

The group's existing management is expected to acquire 15 per cent of the capital, with some 35 per cent being sold to outside investors.

The flotation will be by means of a placing coupled with an intermediaries' offer through Panmure Gordon. The new group will be chaired by Mr Christopher Sporborg, the deputy chairman of Hambros Bank. Mr Nicholas Page will become chief executive.

HISG, which is expected to earn profits in excess of £9m this year, will consist of four main elements.

- Cunningham Hart, one of the country's top three loss adjusters, has been acquisitive in recent years, taking over IAP, a London-based firm of international loss adjusters, and the Dutch group, Polak Schoute Beheer. Profits in the 12 months to March 31 1992 amounted to £5.3m on turnover of about £35m.
- Hambro Legal Protection, which provides legal, medical and other advice services by telephone helpline, selling services through companies, brokers and other intermediaries. Its legal expenses insurance policies are underwritten at Lloyd's.
- Beale Dobie, a market maker in sales of second hand with-profit endowment policies.
- Berkeley Insurance Services, which provides advice about brokers and intermediaries, recommending which one is appropriate to handle a particular type of account or problem.

Secure Trust to acquire £4.8m Peoples Bank

Secure Trust, the financial services group, has conditionally agreed to buy Peoples Bank from Provident Financial for £4.8m cash.

Secure said that Bradford-based Peoples served a similar customer base to its own, would give it a presence in Yorkshire, and broaden its range of products and services. Peoples provides personal banking services to 6,000 customers in the UK and has a loan book of more than £4m.

At December 31 it had audited net assets of £14m, though since then a court approved capital reduction reduced this to £5m. 1992 pretax profits were £318,000.

CROSS BORDER M&A DEALS

BIDDER/INVESTOR	TARGET	SECTOR	VALUE	COMMENT
Altus Finance (France)	Unit of Costain (UK)	Mining	£173m	US court blocks sale
RTZ (UK)	Cordero Mining (US)	Mining	£85m	Confirms RTZ US expansion
Howden Group (UK)	Novenco Industries (Denmark)	Engineering	£22m	Estimated total costs
Goodyear Tire & Rubber (US)	Goodyear Canada (Canada)	Tyres	£10m	Mopping up operation
Credit Lyonnais/Societe Generale (France)	Dia-Met Minerals (Canada)	Diamond mining	£7m	Small stake in stampede
Prudential Insurance (US)	MIM Property Services/ Trans-European Property (UK)	Property management	£2m	Buy via PIC Holdings
Unilever (UK/ Netherlands)	Roma (Poland)	Food	n/a	Buying private company
Sun Alliance (UK)	Hafnia (Denmark)	Financial services	n/a	Making conditional bid
Union Bancaire Privee (Switzerland)	Unit of Hafnia (Denmark)	Financial services	n/a	Cambio + Valoren sold
Morgan Crucible (UK)/ Shanghai Electrical Machinery (China)	Shanghai Morgan Carbon (JV)	Electrical	n/a	51/49 split

NEWS DIGEST

Boardroom changes at Arthur Shaw

ARTHUR SHAW, the buildings materials group, has announced further management changes following an egm at which rebel shareholders ousted the board.

Mr Peter Ryan, the caretaker chairman, has resigned. He has been replaced by Mr Brian Phillips, a former managing director. The moves follow the removal of Mr Gordon Pearson and the board after shareholders backed rebel demands for a change in direction at the loss-making group.

Mr Alan Bearman and Mr Donald Crammond, two directors on the original board who were first ousted last August for backing the rebels and then reappointed recently, have also stepped down.

Mr Ian Tickler, the rebel leader and Mr Pearson's predecessor, will remain a director.

Mr Tickler, whose family controls 49 per cent of the equity, hopes to sell the Jackdaw engineering subsidiary to reduce the group's £3.35m debt.

Deadline extended for Buckingham bid

At the request of the independent directors of Buckingham International, the hotels and nursing homes group, the Takeover Panel has extended the deadline by which Jemma Trust and Naaz Holdings must make mandatory offers for the company.

In December the Panel ruled that Jemma and Naaz were acting in concert in Buckingham shares and that an offer at 2.75p per ordinary share and an appropriate offer for the secured convertible loan stock 1995 of Buckingham were to be made by February 28 1993.

The Buckingham directors anticipate that the offers, together with the advice of the independent directors, will be announced by March 5.

Gartmore Value net assets advance

Gartmore Value Investments, an investment trust, reported a net asset value of 28.3p per share as at January 31, up from 27.4p at the April year-end. The figure for the zero dividend preference shares was 79.1p (72.1p).

Net revenue for the nine months to end-January was £1.09m (£987,000). Earnings per share emerged at 2.18p (1.99p).

A third interim dividend of 0.9525p (0.925p) is declared, making 2.8575p to date. The directors expect to announce a reduced fourth interim of 0.9525p (1.5p) cutting the total to 3.81p (4.275p).

Authorities criticised over Uni raid

By Karen Fossli in Oslo

A NORWEGIAN government-appointed commission has sharply criticised the country's finance ministry and Banking, Insurance and Securities Commission for failing to prevent the disastrous raid by Uni Storebrand, Norway's biggest insurer, on Skandia, its Swedish rival.

The inquiry report examines the events following the bid which culminated in Uni's collapse in August into the hands of public administrators.

Although the minority Labour government is expected to survive the repercussions of the commission's findings, the report's criticism casts doubt over the future of Mr Sigbjoern Johnsen, Norway's finance minister. So far he has refused to resign over the affair, and over the role of his special adviser, Mr Arne Oeien.

The commission, led by Mr Erling Sandane, a former supreme court judge, outlined a series of failings in the finance ministry's handling of Uni's raid on Skandia.

The report said the ministry and BISC allowed Uni to build a NKr4.7bn ($601m) 28.3 per cent stake in Skandia in spite of a law forbidding Norwegian financial institutions from owning more than 10 per cent of foreign financial concerns without a special concession.

Uni built the stake before the permit was issued. The commission said the subsequent permit should never have been issued, but it cleared the ministry of allegations that Uni had been given an unofficial go-ahead to pursue Skandia.

"The commission of inquiry points out that Uni Storebrand had a considerable liquidity problem, and the finance ministry ought not to have issued a permit when the question of a capital expansion was unclear."

Sigbjoern Johnsen: refuses to quit finance ministry post

The report said Uni provided inadequate details of its plans and financial position while the authorities failed to make strong enough demands for the information.

Uni borrowed heavily to finance the Skandia acquisition in an abortive attempt to force the Swedish insurer into a Nordic insurance pact. Skandia rejected Uni's advances. This precipitated a sharp fall Uni's shares leading to a liquidity squeeze which forced the company's collapse.

In response to the report the finance ministry said it would follow a recommendation to set up a public commission to undertake a further probe into Uni's collapse and the role of its board and top executives.

Improved sales push Saga profits to NKr802m

By Karen Fossli

SAGA Petroleum, Norway's biggest independent oil company, posted an increase in 1992 pre-tax profits to NKr802m ($114.5m) from NKr777m a year earlier, helped by a rise in oil and gas sales and an increase in income from pipeline tariffs.

Saga proposed lifting its dividend to NKr1.75 a share from 1991's NKr1.25.

Group revenue increased last year to NKr5.36bn, from NKr4.58bn, in 1991 as operating expenses rose to NK4.11bn from NKr3.22bn. Group net profit rose to NKr277m from NKr173m.

Saga recorded a charge of NKr119m for an unrealised currency loss on a long-term dollar loan and also wrote down the value of its 11.7 per cent stake in Elkem, the Norwegian light metals group, by NKr92m. Saga initially bought a 12.4 per cent stake in Elkem two years ago for NKr460m.

Total financial charges fell last year to NKr449m from NKr588m in 1991, while group operating profit dipped to NKr1.25bn from NKr1.37bn.

Gas sales rose to 424m cu metres from 350m a year earlier, while revenue from pipeline tariffs reached NKr450m.

Taxes for 1992 were estimated at NKr525m, down from NKr604m in 1991.

Rising exports give lift to South Korean electronics

By John Burton in Seoul

HIGHER sales of semiconductors and increased exports of consumer electronics led to South Korea's four main electronics companies all reporting growth in turnover and profits for 1992.

The continued growth of the Korean economy, although weakening, is another reason for their improved profitability in contrast to their Japanese rivals, which are suffering from the effects of a domestic recession.

Combined profits among the four electronics manufacturers jumped by 70.2 per cent to Won125.5bn ($157.8m), while sales rose by 11.9 per cent to Won12,600bn. However, 1993 results could be much lower if the US decides in favour of imposing dumping duties on Korean chips, which would severely curtail exports to its largest overseas market.

Samsung Electronics, Korea's largest electronics company, reported a 5.5 per cent increase in net profits to Won72.4bn, while sales rose by 16.6 per cent to Won6,100bn.

Sales of its semiconductor division, which is the world's fifth-largest producer of memory chips, grew by 25 per cent to Won1,340bn, and provided most of the group's profits. The consumer electronics division's sales were up 10 per cent at Won3,300bn. Sales for the computer and telecommunications division rose by 29 per cent to Won1,430bn.

Earnings at Goldstar jumped by 43.2 per cent to Won26.5bn, although sales only grew by 2.9 per cent to Won3,780bn.

The improvement was mainly due to exports, which grew by 7.6 per cent to Won2,000bn. Sales were brisk in south-east Asia and Latin America, where Goldstar has increased marketing efforts to counter weakening exports to North America.

Domestic sales slipped by 2 per cent to Won1,780bn, which Goldstar blamed on depressed consumer spending caused by slower economic growth.

Daewoo Electronics posted a 22 per cent increase in profits to Won16.6bn, while sales rose by 9.6 per cent to Won1,700bn.

Daewoo said it performed particularly well in the domestic market in spite of the general slowdown in consumer spending because of the introduction of new products, especially washing machines and televisions. Domestic sales rose by 16.6 per cent to Won664.4bn.

Hyundai Electronics, which suffered a loss of Won27bn in 1991, reported a profit of Won10bn as sales grew by 25 per cent to Won1,030bn. The recovery was largely caused by increased sales of semiconductors, with exports up 60 per cent to Won500bn.

Vard losses deepen to NKr213m

By Karen Fossli

VARD, the Norwegian cruise and ferry group, reported an increase in net losses in 1992 to NKr213.5m ($30.49m) from NKr180.9m a year earlier, due mainly to a rise in foreign currency losses, high interest payments, and a huge loss on the disposal of a cruise ship.

Vard forecast a weak first quarter for Kloster Cruise, its cruise business. However, the group said it was continuing with efforts to improve its capital structure through a disposal or equity partnership.

Last autumn, Vard declared its intention to find a partner to invest in the cruise business.

Group revenue edged ahead to NKr5.47bn from NKr5.36bn while operating expenses dipped to NKr4.67bn from NKr4.77bn. Net financial costs, comprising mainly interest expenses to service debt, widened to NKr480.3m from NKr399.81m, and foreign exchange losses shot up to NKr108.93m from NKr61.33m in 1991. Group operating profit, however, advanced to NKr459.3m from NKr274.4m

On the bright side, Vard's ferry business posted a record result last year.

Repola holds deficit to FM810m

By Christopher Brown-Humes in Stockholm

REPOLA, the Finnish forestry and engineering group, improved its performance in 1992 but high financing costs and difficult industry conditions meant it still made a loss of FM810m ($136m).

The result, which compares with a FM1.43bn loss in 1991, was hit by FM709m of exchange rate losses connected to the impact of the weaker markka on foreign loans. The dividend was held at FM0.65 per share.

The group noted that its operating profit more than doubled to FM1.72bn from FM656m, with half of the total arising in the final four months. It said it benefited from cost-saving measures, divestment of unprofitable businesses and the devaluation of the markka.

However, this profit was more than wiped out by the exchange rates losses and other financial losses of FM1.82bn.

The group blamed low capacity utilisation, falling newsprint prices, the divestment of the group's marine technology activities and poor profitability within forest machine manufacture.

Repola is more positive about prospects in 1993 although it has not made a specific forecast.

Sales expanded 7 per cent to FM23.7bn from FM22.3bn, thanks to a better performance from all three of the group's industrial units.

Rauma, the metals and engineering unit, saw sales rise 11 per cent to FM8.2bn, and the unit's pre-tax loss dropped to FM167m from FM609m.

Philippine government takes control of airline

By Jose Galang in Manila

PHILIPPINE Airlines is back under government control, just over a year after it was auctioned in the country's biggest privatisation.

Mr Gabriel Singson, president of the state-run Philippine National Bank, has been elected chairman and president of PR Holdings, a consortium of private and government-owned groups that acquired 67 per cent of PAL in January 1992. He replaces Mr Antonio Cojuangco, who is also president of Philippine Long Distance Telephone.

Meanwhile, at PAL, Mr Cojuangco is to step down today as chairman and president in favour of Mr Carlos Dominguez, a former banker and agriculture secretary.

The appointment of two government nominees to the top positions at PR Holdings and PAL results from a compromise reached between two rival groups of businessmen that have fought for control of the two companies over the past couple of months.

One group is lead by Mr Lucio Tan, a Chinese-Filipino businessman with cigarette and banking interests who holds 40 per cent of PR Holdings. The other group is led by Mr Cojuangco who with his allies also holds 40 per cent.

A dispute arose over whether to purchase $1.3bn of new aircraft. The row became increasingly bitter until Mr Fidel Ramos, the Philippine president, intervened early last month and asked Mr Singson to work out a scheme acceptable to the two groups.

The compromise came after Mr Andres Soriano, an ally of Mr Cojuangco, sold his stake in PR Holdings to International Container Terminal Services which then sided with Mr Tan.

It is not clear whether the changes represent a victory for Mr Tan. At today's PAL board meeting to formalise the new management team, an announcement is also expected that the airline will continue to pursue the controversial aircraft acquisition plan.

Magnum goes ahead 48% to M$310m

By Kieran Cooke in Kuala Lumpur

MAGNUM Corp, the Malaysian gaming and investment holding company, has announced pre-tax profits of M$310.2m (US$117m) for the year to December 31 1992. This represents an increase of 48 per cent on 1991 taxable profits of M$209.2m.

Turnover reached M$1.55bn, up 28 per cent on the 1991 figure.

Magnum said the improved performance was partly due to better management controls, plus a significant increase in the sales of its lottery tickets in Malaysia.

Magnum is one of a number of Malaysian companies chasing what are believed to be highly-lucrative gaming projects in China.

Late last year, the company announced that the Chinese authorities had approved "in principle" its application to run a lottery in Guangdong province, in southern China.

Rescue agreed for Nippon Housing

By Charles Leadbeater in Tokyo

THE NINE financial institutions which back Nippon Housing Loan have agreed a rescue plan for the deeply-troubled lending institution which faces mounting bad debts from the collapse of the Japanese property market.

The banks which back Nippon Housing Loan, led by Sanwa Bank and Sakura Bank, have agreed to forego interest of loans for up to 10 years. The group will also require substantial new loans to pay off mortgage-backed securities which fall due within the next two years.

Agricultural banks, which were also heavy lenders to Nippon Housing in the 1980s, have agreed to reduce the interest rate on their loans to 2.5 per cent from 4.5 per cent.

Nippon Housing Loan was set up in the 1970s by a group of commercial banks to provide housing finance. It is thought to have bad loans of about Y1,300bn out of a total loan book of about Y2,200bn.

● The president of Kawasho, a Japanese steel trader, is resigning after disclosing a huge loss at a financial subsidiary.

Mr Kinji Ibaraki said he would be tending his resignation at the end of June to take responsibility for a Y4bn ($34m) net loss in the year to March 1993, forced by a Y19.5bn charge for an investment loss at a financial subsidiary.

Kawasho said Captain, the wholly-owned Osaka financial subsidiary, would be liquidated after making a net loss of Y12bn and with unrealised losses of Y7.5bn on failed investments. Kawasho said it would make a loss despite selling more than Y13bn of securities.

Sony ends word processing

By Michiyo Nakamoto in Tokyo

SONY, the Japanese electronics company, is pulling out of word processor manufacturing in a move that reflects its falling fortunes in the highly-competitive market.

The company will cut production gradually of its PJ700 word processor and not develop a successor. The decision reflects a growing trend within the Japanese industry to withdraw from unprofitable products.

OBITUARY

DEATH ANNOUNCEMENT

CASEY, Thomas Aquinas, aged 63, opthalmic surgeon, on 25th February, after a short illness borne with great courage. Beloved and most loving husband of Maria, dearest father of Julian, Adrian and Emma, darling grandfather of Emily, Edward and Sophie, caring father-in-law of Katie and Alison and brother to Eileen, Patrick and Mary. Requiem Mass Church of the Immaculate Conception, Farm Street, London W1, Friday 5th March at 10am. Family flowers only, donations to Blond McIndoe Research Trust, c/o A. France & Son Ltd., 45 Lamb's Conduit St., WC1. Burial private.

INTERNATIONAL CAPITAL MARKETS

UK GILTS

Adjustment in perception of inflation trends

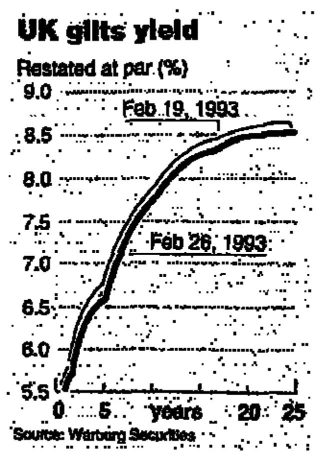
THE SLOW but steady rally in gilts is starting to attract attention. It indicates the degree to which perceptions about long-term inflation trends in the UK have changed over the past month.

Since late January, yields for 10-year gilts have come down by about 50 basis points from 8.2 per cent to around 7.7 per cent, their lowest level for 21 years. The reduction in yields for 20-year bonds has been even more marked, with a fall of 90 basis points, while the fall at the five-year mark has been about 70 basis points.

According to Mr George Magnus, international economist at S.G. Warburg Securities, the downward movement in yields underlines how gilt practitioners are taking a sanguine view on price pressures in the UK economy over. That fits in with the fragile state of much of the world economy, with demand pressures and consequently inflationary pressures extremely muted.

These trends have depressed yields for government bonds in most markets in the past month. While the investment return on gilts rose by a healthy 2 per cent during February, the performance of Japanese, German and French bonds was slightly better, at between 2.2 per cent and 2.3 per cent. The return for US bonds was somewhat lower at 1.9 per cent, according to calculations by Warburg Securities.

Economic data published in the UK during the past week have done little to alter the view that any economic recovery will be slow and protracted. Economists have tended to ignore indications that the M0 measure of the money supply is rising at above the Treasury's target rate, a development which would normally be taken as a sign of inflationary pressures.



According to preliminary estimates based on Bank of England figures, M0 rose in February by a year-on-year rate of between 4.2 per cent and 4.6 per cent. Confirmation of these figures, due later today, would make last month the second month running in which the measure has risen at above the 4 per cent year-on-year target.

However, many in the gilt market accept the explanation that recent cuts in interest rates have reduced the incentive for consumers and businesses to hold money in bank accounts. As a result, more funds have found their way into notes and coins – the main constituents of the M0 measure.

Over the longer term, worries remain that the £50bn or so of government borrowing expected in 1993-94 will lead to such a large volume of gilt issues from the Bank of England that yields along the yield curve will be pushed up to an unacceptably high level.

According to Mr Roger Bootle, chief economist at Midland Bank, the government is making a strategic mistake by issuing most new gilts in the form of long-dated bonds which threaten to cause "unnecessarily high long yields". His view is that – in order to reduce the threat of what he calls a "financial crisis" – the Bank of England should switch more issues into a mixture of short-dated gilts, National Savings bonds, index-linked gilts and foreign currency debt.

He reckons this would ensure long-dated yields did not go too high, helping to bring down the long-term costs of borrowing and aiding economic recovery in Britain over the next few years.

According to calculations by Mr Neil Williams at the London office of Japanese investment house Daiwa, the government is likely to overfund the public sector borrowing requirement in 1992-93 by about £4.5bn, meaning that cash of roughly this amount will go towards funding the 1993-94 PSBR. That news should be generally positive for the gilt market. It should depress the volume of issues in the coming financial year.

More goods news for the gilt market would come from any government announcement that the full-funding rule is to be abandoned, meaning that purchases by banks and building societies of gilts would count towards financing the PSBR.

While many gilts specialists have been pressing for some time for a change in the rules, there are confident expectations that Mr Norman Lamont, the chancellor of the exchequer, may indeed announce an end to full funding in the *March 16 Budget, on the grounds that the switch would* boost the money supply and so help an economic upturn.

Peter Marsh

JAPANESE BONDS

Yields tumble on sharp rise in yen

BOND yields in Japan fell to their the lowest level since July 1987 last week as the market took its cue from a surge in the value of the yen.

The yield on the 10-year benchmark bond No 145 closed on Friday at 3.865 per cent, a fall of 22.5 basis points on the week. Although profit-taking before the March financial year-end is expected to dampen the rally in the near-term, most investors expect a further decline in yields.

In spite of denials by the government of a concerted effort to raise the yen to reduce the country's surging trade surplus, calls from top US officials added weight to speculation that an agreement would be reached to bolster the currency.

The yen's sharp rise heightened fears that a fall in competitiveness of the country's exporters would delay economic recovery. Moreover, the yen's strength would lower imported inflationary pressure, setting the stage for a further official discount rate cut.

Last week's spate of corporate restructuring announcements added to hopes for lower interest rates. Nissan Motor said it would close its vehicle plant near Tokyo by early 1995 and reduce its workforce by 5,000 to 48,000 by 1996.

Matsushita Electric Industrial, the world's largest consumer electronics company, posted a 63 per cent fall in pre-tax profits for the nine months to December, while Nippon Telegraph and Telephone said it would reduce its workforce of more than 200,000 by 30,000 over the next three years and cut its 1,300 retail outlets by a third.

The unexpected announcement by NTT, strongly backed by the government, to cut staff by encouraging early retirement of middle-aged workers, unnerved many Japanese office workers. Economists said further corporate restructuring announcements could hurt consumer confidence, further hitting consumption.

Investors have rushed to the bond market since the official discount rate cut early last month, and February's market turnover leaped by 40.6 per cent compared with January's total to Y39,344bn.

The rally has resulted from the lack of alternative investments. The Tokyo stock market has floundered around the 17,000 level and is not likely to recover shortly. Demand from corporations for loans is still low as capital investment is slow, and short term interest rates have plunged, with three-month certificates of deposit yielding around 3.25 per cent.

While demand for bonds remains high, the market may be suffering from a lack of liquidity, as an increasing number of bondholders are becoming reluctant to sell due to the lack of other attractive investments. "There's no need to take profits because one would only plough them back into the bond market," says Mr Marshall Gittler, bond analyst at Merrill Lynch in Tokyo.

Bond yields could have more room to fall, if inflation is taken into account. With inflation at around 1 per cent, the JGB 145 currently offers a real (inflation-adjusted) yield of just under 3 per cent. Since 1989, the real yield has averaged 3.3 per cent, ranging between 3.97 per cent and 2.63 per cent. With inflation expected to fall further, the yield could still have more room to fall.

Meanwhile, economists predict another cut in the discount rate, currently 2.5 per cent. Mr Takashi Oshio, economist at Morgan Guaranty Trust in Tokyo, believes the Bank of Japan will lower the discount rate around June.

The bond market may face a temporary lull as investors take profits and adjust positions ahead of the March financial year-end. However, bond yields could see further easing on a slow economic recovery, sluggish corporate profits and a continuing consumer slump. The yield on the benchmark bond is expected to fall to 3.3 per cent during the third quarter of this year.

Emiko Terazono

US MONEY AND CREDIT

Corporate issuers take advantage of all-time lows

WHATEVER the US stockmarket's qualms about the Clinton economic plan, the bond market is having no such doubts. Bond yields fell to all-time lows last week, and corporate issuers took full advantage, offering record amounts of new paper.

The slide in yields occured at the start of the week, with the price of the benchmark 30-year Treasury bond rising by ⅞ to 102⅞ on Monday, and then gaining almost a point and a half on Tuesday. This, in turn, caused the long bond yield to fall below the 7 per cent mark, to 6.93 on Monday, and then drop to 6.82 per cent a day later.

This change in sentiment has been swift. Something over a month ago – on January 12 – the long bond yield was standing at 7.47 per cent. Last week's developments can also claim a place in the history books. Since the US Treasury began regular auctions of the 30-year bonds in 1977, the closing yield had never dropped below 7 per cent until this month, and the 6.82 per cent level marked a record low.

The market, admittedly, did not hold on to all of these gains for the rest of the week. Midweek, there was a fairly sharp fall in prices, and trading then remained volatile on Thursday, although the closing yield on the day was unchanged at 6.88 per cent.

On Friday, dealers paid more attention to the blast under New York's World Trade Center complex – which disrupted trading by several large firms – and the long bond yield ended its momentous week at 6.9 per cent.

The question is whether the market can hang on to these levels over the next five sessions, when some key economic statistics will be released.

Last week, the bond market cheered the latest consumer confidence data – which showed that the heady "holiday season" optimism was waning even before the Clinton plan was announced – and shrugged off an upward revision to fourth-quarter gross domestic product data, which suggested that the economy was growing at an annualised rate of 4.8 per cent.

This week, it will confront a more fulsome list of economic statistics – from home sales and personal consumption expenditures for January to the February unemployment figures – and some traders suggest that the market could be volatile.

The most-closely watched data is likely to be the jobs report, due out on Friday. Here, analysts generally expect signs of a modest strengthening in the labour market, with the increase in payroll employment perhaps repeating January's 106,000 rise. However, the overall unemployment rate is reckoned to show little shift from last month's 7.1 per cent level.

Corporate issuers are not waiting to see where the market goes next. They took full advantage of the fall in long-term interest rates last week, issuing billions of dollars-worth of new debt.

The biggest outpouring of new paper came of Thursday, when approximately $5.8bn-worth of issues hit the market, compounding the roller-coaster trading. In terms of new corporate debt offerings, that represented a one-day record, outstripping the $5.25bn-worth which was issued on January 8 1992.

The range of companies taking advantage of the opportunity was wide – from Georgia-Pacific, the wood products group, to Bass America, part of the UK's Bass group.

Among the largest borrowers, however, were Dean Witter, Discover, which is being spun off from Sears, Roebuck, with a $1.5bn offering; the Tennessee Valley Authority, which sold $1bn of three and five-year bonds; and Wal-Mart Stores, the fast-expanding discount retailer, which raised $750m by issuing five-year notes and 10-year bonds.

Nikki Tait

FT/ISMA INTERNATIONAL BOND SERVICE

U.S. DOLLAR STRAIGHT	Issued	Bid price	Chg on week	Yield
ABB INTL FIN 6 3/8 96	200	103¼	+¼	5.04
ABBEY NATIONAL 9 3/4 94	200	105¼		4.14
ABN 9 1/8 94	200	106½	+¼	4.31
AETNA LIFE & CAS 7 3/4 16	200	101½	-¼	7.60
ALBERTA PROVINCE 8 5/8 96	750	110¼	+⅛	5.41
ALBERTA PROVINCE 9 3/8 95	600	111	+¼	4.86
AMERICAN EXPRESS 0 00	450	57¼	+⅛	7.42
AMERICAN GENERAL 9 3/4 95	100	109¼	+¼	5.20
AMERICAN INTL 0 04	750	44⅞	+1	7.24
AMOCO CANADA 7 1/4 02	250	104⅛	+1	6.56
ASFINAG 7 3/8 02	200	106¼	+1	6.37
ASIAN DEV BANK 0 04	1000	46½	+1¼	6.90
ASIAN DEV BANK 8 96	100	108⅝	+¼	5.41
AUSTRALIA 11 95	200	112¾		4.87
AUSTRIA 7 3/4 97	200	108¼	+½	5.36
AUSTRIA 8 1/2 00	400	113¼	+½	6.09
AUSTRIA 9 1/4 96	100	112¼	+¼	5.18
BANK OF TOKYO 8 3/8 96	100	108	+¼	5.49
BANQUE PARIBAS 7 1/2 96	100	105⅝	+¼	5.40
BARCLAYS JERSEY 10 5/8 95	250	113⅞	+¼	5.18
BASF FIN EUROPE 7 99	200	103⅞	+⅛	6.24
BAYER USA 8 1/4 96	150	108¼	+¼	5.58
BELGIUM 8 97	300	109¼	+¼	5.38
BELGIUM 8 3/4 98	400	112⅝	+⅛	5.78
BELGIUM 9.2 10	500	118	+⅛	7.33
BELGIUM 9 5/8 98	250	117	+⅛	5.83
BFCE 7 3/4 97	150	108½	+⅛	5.35
BFCE 9 1/4 95	150	111⅝	+⅛	4.76
BMW LEASING 7 3/8 96	200	105⅝	+¼	5.57
BNP 8 5/8 94	300	106		4.20
BOOTS 9 97	175	110½	+¼	5.87
BP AMERICA 9 3/4 99	250	115½	+½	6.55
BPCA FINANCE 8 3/8 98	150	109½	+½	6.15
BRITISH COLUMBIA 7 3/4 02	500	107¼	+⅛	6.60
BRITISH GAS 0 21	1500	10¼	+⅛	8.26
BRITISH TELECOM FIN 8 3/4 99	200	113¼	+⅛	6.19
BRITISH TELECOM FIN 9 3/8 98	250	115⅜	+¼	6.00
CAISSE NAT ENERGIE 11 3/4 95	125	113¼	-¼	4.56
CANADA 9 96	1000	111⅛	+¼	4.84
CANADA 10 95	500	113	+¼	4.80
CANADIAN PACIFIC 7 1/2 96	100	105⅛	+½	5.66
CARIPLO 8 3/4 98	200	108⅝	+⅛	6.76
CCCE 8 3/4 99	200	114⅛	+⅛	6.03
CCCE 9 1/4 95	300	109¼		4.41
CENTRUST SAVINGS 0 10	1200	18½	+¼	10.45
CHEVRON CORP 8 1/4 96	300	102⅝		7.45
CHUBU ELEC POWER 8 1/4 98	350	110¼	+¼	6.02
CHUGOKU ELEC POWER 7 97	250	104⅞	+⅛	5.60
CIA NAVIERA PEREZ 9 96	100	96¾	+¼	10.25
CIBA-GEIGY 6 1/2 97	200	104	+¼	5.53
CNCA 7 1/2 94	150	103½	-¼	4.16
COCA-COLA AMATIL 7 5/8 96	175	107½	+⅛	5.30
COMP BANCAIRE 8 1/4 94	250	104⅞		4.17
COUNCIL EUROPE 8 96	100	107¼	+¼	5.61
CREDIT FONCIER 9 1/4 95	200	111⅛	+⅛	4.67
CREDIT FONCIER 9 1/2 99	300	117⅝	+⅛	5.97
CREDIT LOCAL 8 7/8 99	250	114½	+½	6.21
CREDIT LYONNAIS 9 96	300	110⅞	+⅛	5.37
CREDIT NATIONAL 7 3/4 94	200	104		4.17
DAIMLER-BENZ NA 8 98	250	108¼	+½	6.20
DENMARK 0 98	250	73¼	+½	5.92
DENMARK 5 1/2 97	500	100½	+⅛	5.46
DENMARK 9 1/4 95	1571	109⅜		4.40
DEUTSCHE BK FIN 9 3/8 99	200	115½	+¼	6.31
DSL BANK 7 1/2 96	110	106⅝	+⅛	5.13
DSM 8 1/2 96	150	108⅝	+½	5.49
DU PONT DE NEMOURS 8 1/2 96	250	109½	+¼	5.14
ECSC 8 1/4 96	193	109⅜	+¼	5.42
EEC 8 1/4 96	100	108⅞	+¼	5.25
EIB 7 3/4 96	250	108	+⅛	5.09
EIB 9 1/4 97	1000	114⅞	+⅛	5.57
EIB 9 1/2 99	200	117⅝	+⅛	5.93
EIB 10 97	250	116½	+⅛	5.42
EKSPORTFINANS 0 94	360	93½	+¼	4.28
EKSPORTFINANS 7 7/8 96	200	108¼	+¼	5.40
EKSPORTFINANS 8 1/8 95	200	106⅞	+⅛	4.59
ELEC CORP N ZEALAND 9 3/8 96	200	111⅞	+⅛	5.45
ELEC DE FRANCE 9 98	200	114½	+¼	5.62
ELEC DE FRANCE 9 1/2 95	250	111⅛	+¼	4.57
ENERGIE BEHEER 9 95	300	109⅞	+¼	4.90
ERICSSON LM 7 7/8 96	150	105¼	+¼	6.06
EURATOM 7 3/4 97	247	108	+¼	5.41
EURO CRED CARD TST 9 94	325	105⅛	+¼	5.29
EURO CRED CARD TST 9 1/2 95	845	109⅛	+¼	5.50
EUROFIMA 9 1/4 96	100	111⅛	+¼	5.12
EX-IM BANK JAPAN 9 1/2 00	200	118	+⅛	6.35
EX-IM BANK JAPAN 9 3/4 99	200	118¼	+⅛	6.11
EXPORT DEV CORP 8 5/8 00	200	113⅛	+⅛	6.25
EXPORT DEV CORP 9 1/2 98	150	116	+½	5.93
EXXON CAPITAL 0 04	1800	44¼	+1⅛	7.10
FARM CRED CORP 7 3/4 96	100	107⅛	+¼	5.24
FERRO DEL STAT 9 1/8 09	1000	112⅝	+¼	7.74
FINLAND 7 7/8 97	200	106⅞	+⅛	5.86
FINLAND 9 96	850	110¼	+⅛	5.31
FINNISH EXPORT 7 3/4 94	250	104		4.20
FINNISH EXPORT 9 3/8 95	200	110⅛	+¼	5.00
FORD CAPITAL 9 3/4 97	250	112⅞	+⅛	6.21
FORD MOTOR CREDIT 11 96	100	113⅝	+¼	5.73
FUJI HEAVY 8 3/4 99	300	110⅛	+½	6.77
GEFCO 7 5/8 97	150	107⅛	+⅛	5.53
GEN ELEC CAPITAL 9 3/8 96	300	112	+¼	5.28
GEN ELEC CAPITAL 9 5/8 94	200	108⅛	-¼	4.45
GMAC 9 1/8 96	200	107⅞	+⅛	6.20
GUINNESS FINANCE 9 96	200	110¼	+¼	5.06
HALIFAX 9 3/8 95	200	109		4.77
HOECHST INVEST 8 1/4 97	100	108⅛	+⅛	5.81
HOKURIKU 6 1/8 97	200	101	+⅛	5.86
IBM INTL FIN 5 5/8 95	300	101⅝	+¼	4.89
IMI BANK 8 5/8 94	500	105⅜		4.57
IND BK JAPAN FIN 7 7/8 97	200	106⅞	+¼	5.94
INTER AMER DEV 7 5/8 96	200	107⅜	+½	5.12
INTER AMER DEV 9 1/2 00	300	118⅝	+½	6.24
INTL FINANCE 8 3/4 96	200	111	+¼	5.11
INTL FINANCE 9 1/4 95	300	110	+⅛	4.52
IRELAND 9 1/2 00	250	116½	+½	6.52
ITALY 8 1/2 94	1500	106⅛	-¼	4.35
ITALY 9 1/8 96	150	110	+¼	5.45
ITALY 9 5/8 99	2000	115⅜	-⅛	6.41
JAPAN DEV BK 9 1/2 97	150	115	+¼	5.47
JAPAN DEV BK 10 96	200	114¼	+¼	5.12
JAPAN FIN CORP 9 7/8 96	150	113½	+¼	4.91
JAPAN HIGHWAY 8 5/8 01	300	113¼	+⅛	6.52
JAPAN HIGHWAY 9 5/8 96	180	112⅝	+½	4.90
KANSAI ELEC PWR 10 96	350	113⅞	+⅛	5.16
KANSAI INTL AIRPORT 9 96	150	112⅝	+¼	5.27
KANSALLIS-OSAKE 8 1/2 95	200	105¼	+⅛	5.93
KFW INTL FINANCE 9 94	300	107		4.22
KOBE 8 7/8 99	150	113½	+½	6.32
LIBERTY MUTUAL 8 1/2 96	150	106⅝	+⅛	6.24
LINCOLN NATIONAL 9 3/4 95	100	110	+¼	5.56
LKB BADEN-WUERTT 7 3/4 94	200	104½		4.04
LTCB FIN 8 97	200	106⅝	+¼	6.10
MANITOBA 7 1/2 96	150	105⅛	+¼	5.58
MARKS & SPENCER 8 1/4 96	150	108⅛	+¼	5.31
MATSUSHITA ELEC 7 1/4 02	1000	104½	+1	6.73
METLIFE FUNDING 7 3/4 96	150	106⅞	+¼	5.57
MITSUBISHI ESTATE 8 5/8 01	200	110⅛	+1	6.90
MITSUI TST FIN HK 7 3/4 94	200	103		4.54
MOBIL AUSTRALIA 8 94	200	104⅞	+¼	4.34
MONY FUNDING 8 1/4 96	150	97⅞	+⅛	9.01
NACIONAL FIN 10 96	125	106⅝	+⅛	7.62
NESTLE 6 1/8 97	200	103⅞	+⅛	5.09
NEW ZEALAND 8 97	150	108½	+⅛	5.72
NEW ZEALAND 9 94	850	106¼		4.26
NIPPON CRED BK 10 3/8 95	150	110¼	+¼	5.60
NIPPON TEL & TEL 9 3/8 95	200	109⅞	+¼	4.54
NOMURA INTL 9 3/8 95	150	108¼	+¼	5.11
NORDIC INV BANK 0 94	150	93⅞	+⅛	4.19
NORINCHUKIN BANK 8 5/8 97	200	109⅛	+¼	5.91
NORWAY 7 96	1000	105⅞	+¼	5.23
ONTARIO 8 1/2 01	600	110⅝	+⅛	6.76
ONTARIO HYDRO 11 5/8 94	200	106⅝		4.11
OSLO 7 7/8 97	150	107⅝	+¼	5.66
OSTER KONTROLLBANK 8 1/2 01	200	113	+⅛	6.38
OSTER KONTROLLBANK 9 95	200	110¼	+¼	4.61
OSTER POSTSPARK 10 1/2 94	150	107	-¼	4.12
PANASONIC FIN 9 3/8 94	300	105¼		4.05
PETRO-CANADA 7 1/4 96	200	105⅛	+¼	5.33
PETROBRAS 10 96	300	97		11.35
PHILIP MORRIS 9 7/8 98	200	105⅜	-⅛	8.38
PROCTER & GAMBLE 9 1/2 98	200	114½	+⅛	6.03
PRUDENTIAL FIN 8 1/4 01	300	108⅛	+1	6.92
PRUDENTIAL RLTY SECS 0 99	365.216	69¼	+⅛	6.47
QUEBEC HYDRO 9 01	300	112⅛	+¼	6.88
QUEBEC HYDRO 9 3/4 98	150	115	+⅛	6.45
QUEBEC PROV 9 98	200	111½	+⅛	6.29
QUEENSLAND GOVT 10 1/4 95	100	111½	+⅛	5.14
RALSTON PURINA 11 3/4 95	150	112⅝		5.55
REED PUBLISHING 9 5/8 97	150	113	+⅛	6.13
SAINSBURY 9 1/8 96	150	110⅝	+⅛	5.75
SAS 10 99	200	111⅛	+¼	7.57
SAS 10 1/8 95	150	110	+¼	6.05
SBAB 9 1/2 95	500	109½	+¼	4.99
SBC FINANCE 7 3/4 96	200	107⅞	+½	5.24
SEARS EURO TRUST 8 3/4 96	750	108¼	+¼	5.62
SEARS O/S FIN ZERO 98	500	68¼	+½	7.33
SEARS ROEBUCK EURO 9 3/4 95	500	108¼	-¼	5.41
SKANDINAVISKA ENSK 7 3/8 97	500	103	+¼	6.54
SNCF 7 1/4 94	175	103		3.86
SNCF 9 1/2 98	150	116⅝	+½	5.81
SPAIN 6 1/2 99	1500	102	+½	6.11
STATE BK NSW 8 1/2 96	200	108¼	+¼	5.55
STATOIL 7 5/8 94	200	102⅞		4.55
SWEDEN 5 1/2 95	2000	101⅞	+¼	4.75
SWEDEN 9 1/4 98	350	114⅝	+⅛	5.80
SWEDISH EXPORT 8 3/8 96	700	109⅛	+¼	5.13
THYSSEN FINANCE 7 1/2 99	200	104⅝	+⅛	6.63
TOHOKU ELEC POWER 7 3/4 97	250	107¼	+⅛	5.73
TOKAI ASIA 11 1/2 95	100	112⅜		5.50
TOKYO ELEC POWER 8 3/4 96	300	110½	+¼	5.35
TOKYO METROPOLIS 8 1/4 96	200	109¼	+⅛	5.26
TOKYO METROPOLIS 9 1/4 94	200	106½		4.13
TOYOTA MOTOR CRED 8 1/2 94	200	105¼		4.34
UBS FIN 9 1/8 02	225	115½	+1	6.76
UNILEVER CAP CORP 9 1/4 00	400	116½	+⅛	6.29
UNION BK FINLAND 8 94	200	102¼	+½	6.00
UNITED KINGDOM 7 1/4 02	3000	106¼	+⅞	6.37
URUGUAY 8 1/4 95	100	102¼		7.28
VENEZUELA 9 3/4 96	150	100⅜	+¼	9.58
VICTORIAN PUB AUTH 8 3/8 96	100	107⅝	+¼	6.06
WARNER-LAMBERT 8 1/8 96	100	107¼	+¼	5.38
WORLD BANK 8 1/8 01	1500	112¼	+⅛	6.18
WORLD BANK 8 3/8 99	1500	113½	+½	5.96
WORLD BANK 8 3/4 97	1500	112⅞	+⅛	5.22
XEROX CORPN 8 3/8 96	100	108	+⅛	5.82
YOKOHAMA 8 01	200	109¼	+⅞	6.49

FLOATING RATE NOTES	Issued	Bid price	Chg on week	C.cpn
ALASKA HOUSING 1/10 01	125	98.89		3.6625
ALLIANCE & LEICS 0.08 94 £	300	99.78	+.01	6.4550
ALLIANCE & LEICS 0 1 95 £	150	99.84		6.3575
AMERICAN EXPRESS BK 1/8 99	200	93.30	+.05	3.5000
ANGLIA 1/8 98 £	100	99.98	-.01	7.1875
ANZ BANKING 0 15 PERP	300	72.00	-.33	3.7750
AUSTRIA -0.15 05 DM	700	98.17	-.04	8.2250
BANCO ROMA 99	200	99.35	+.05	3.5313
BANK NEW YORK 3/16 97	200	99.57	+.21	5.2500
BANK OF GREECE 1/4 99	250	97.65	+.15	3.5000
BANK OF MONTREAL 1/20 98	250	97.31	+.09	3.4875
BANKAMERICA 3/8 95	500	99.86	+.03	4.1563
BANKERS TRUST 1/16 00	300	99.59	+.16	5.0000
BANQUE INDOSUEZ 1/4 97	125	99.76		4.1875
BARCLAYS O/S INV 1/8 04	350	99.81	+.08	5.0000
BBL INTL 0 05 01	200	93.05	-.06	3.7375
BCI 0 15 98	300	94.70	+.07	3.7750
BELGIUM 94	200	99.93		3.5625
BELGIUM 96	400	99.90	-.01	3.3125
BELGIUM 00 ECU	300	98.85		9.6250
BELGIUM 1/16 97 DM	500	100.01	-.02	8.0000
BFCE -0.02 96	350	99.92	-.02	3.7300
BILBAO INTL 0.015 01	150	98.24		3.4525
BIRMINGHAM MID 1/8 98 £	150	99.95		7.4375
BNP 1/4 95	400	101.79	+.02	5.2500
BNP 05	300	100.39	-.01	5.2500
BRADFORD BINGLEY 1/8 98 £	100	99.32	+.05	7.3125
BRISTOL & WEST 1/16 94 £	150	99.64		6.3125
BRITANNIA 1/10 96 £	150	99.30	+.02	6.4750
CARIPLO 1/4 99	150	98.47	+.06	3.6875
CCCE 06 ECU	200	98.85	-.09	9.5469
CHASE MANHATTAN 1/8 09	400	93.91	+.9	5.2500
CHASE MANHATTAN 1/16 00	250	97.40	+.63	5.0000
CHELT & GLOUC BS 1/16 94 £	125	99.88	+.01	6.2813
CITIZENS FED 0.15 96	100	99.57		3.0000
COMM BK AUSTRALIA 0.15 PERP	300	98.85		3.7125
CREDIOP 97 ITL	200000	101.50	+.06	12.7500
CREDIT DU NORD 1/16 97	100	99.33	+.02	5.2500
CREDIT FONCIER -1/16 98	200	100.33		5.0000
CREDIT LYONNAIS 1/8 99	250	100.29		5.2500
DENMARK -1/8 96	1000	99.48		3.0625
DRESDNER FINANCE 1/32 98 DM	1000	99.87	+.01	8.5313
EIB -1/4 01 ECU	400	99.31	+.22	9.3828
ELEC DE FRANCE 1/8 99	400	102.22	-.01	5.2500
FERRO DEL STAT 94	200	100.18	-.02	3.3125
FERRO DEL STAT 97	420	99.26		3.2250
FINLAND 97	1000	99.10		3.4375
FIRST CHICAGO 3/16 96	125	97.80	+.39	4.0000
FLEET FINANCIAL 1/10 98	100	95.26	+.25	3.6000
FUJI BANK 1/4 00	700	97.81	+.09	3.7500
GRACECHURCH MORT 0.2 19 £	175	98.49		7.2781
HALIFAX 1/10 94 £	200	99.94		6.3500
HALIFAX 2/25 96 B £	150	99.90	-.01	8.9550
HESSISCHE LANDESBK 96	100	99.26	+.02	3.1875
HK SHANGHAI (L) 1/4 PERP	400	75.13	+.25	5.0000
ICELAND 1/8 00	125	99.92	+.12	5.2500
ICO 0.05 97	450	99.83	+.13	4.0500
INVESTORS IND 1/8 94 £	125	99.64	+.01	6.3750
IRELAND 98	300	99.67		3.6700
ITALY 00	500	100.27		3.6250
ITALY 05 B ECU	1000	95.79		9.5313
KB (FIMA 0 15 11	150	90.73	+.57	5.0000
KOREA DEV BANK 1/16 97	200	99.25	+.06	3.5625
LEEDS PERMANENT 1/8 96 £	200	99.72	+.03	7.3750
LLOYDS BANK 1/10 PERP S.3	600	74.00	-.31	3.3710
LUFTHANSA INT FIN 00 DM	1200	94.89	+.11	8.7969
MALAYSIA 1/16 05	650	98.84	+.42	5.2500
MELLON BANK 1/8 96	250	99.52	+.15	5.2500
MIDLAND INTL FIN 1/8 99	200	98.96	+.35	5.0000
MORGAN JP 0.05 97	200	100.07	-.03	3.2500
MORT FUND A-1 0.35 35 £	100	99.83		6.9250
NAT BK CANADA 1/16 96	200	98.54	+.36	3.6406
NAT WEST FIN 3/16 05	400	92.64		3.8675
NAT WEST 1/4 PERP C	500	77.25	+.5	3.3125
NATIONWIDE 0.08 96 £	300	99.14	+.02	6.4550
NATL PROVINCIAL 1/8 96 £	200	99.63		7.3125
NEW ZEALAND 1/8 96	250	100.10	+.05	3.8750
NORTHERN ROCK 1/8 95 £	100	99.96		7.1875
OSTER KONTROLLBK -0.15 95 DM	300	99.49		8.3500
QUEBEC HYDRO 02	200	96.68	+.44	4.7500
QUEBEC PROV 01	300	95.21	+.01	3.4375
REGIE OLYMPIQUES 94	250	99.85		5.0000
RENFE 98	500	99.24		3.6250
SKANDINAVISKA ENSK 95 DM	400	98.12	+.02	9.0000
SOCIETE GENERALE 96	300	99.50	+.01	3.1875
STAATSBK BERLIN 0 05 94 DM	4000	100.02		8.7117
STATE BK NSW 3/16 98	250	99.57	+.02	3.5938
STATE BK VICTORIA 0.05 99	125	98.82	+.01	3.7219
SWEDBANK 1/4 98	250	99.66		3.4375
TOWN & COUNTRY 0 1 94 £	100	99.78	+.02	6.3500
UNION BK FINLAND 00 DM	300	96.68	-.01	8.3750
UNITED KINGDOM -1/8 96	4000	99.79	-.04	3.2500
WELLS FARGO 1/8 97	250	98.06	+.26	5.2500
WOODSIDE FIN (FEB) 97	300	100.06	+.01	5.2500
WOOLWICH EQUITABLE 1/16 95 £	150	99.95		7.2250
YORKSHIRE BS 1/10 94 £	165	99.85		6.3500

CONVERTIBLE BONDS	Issued	Bid price	Chg on week	Prem
BURTON GROUP 4 3/4 01 £	110	134¼		
CHUBB CAPITAL 6 98	250	119	+½	+12.62
EASTMAN KODAK 6 3/8 01	300	110	+2⅝	+5.16
GOLD KALGOORLIE 7 1/2 00	65	94½	+1⅛	+62.67
HANSON 9 1/2 06 £	500	115¼	+⅛	+20.52
HAWLEY 6 02 PREF	400	122¼	+¼	
HILLSDOWN 4 1/2 02 £	150	124½	+½	
LAND SECS 6 3/4 02 £	84	92	+⅞	+28.80
LASMO 7 3/4 05 £	90	84½	+⅛	
MITSUI BANK 2 5/8 03	200	74½	-⅛	+31.03
MOUNT ISA FIN 6 1/2 97	100	99½		+43.57
OGDEN 6 02	85	89½	+1	+99.88
PIONEER CONCRETE 9 1/2 98 A$	175	100¼	+1½	+59.87
ROCKEFELLER CENTER 0 00	952.25	38⅝	+⅞	-11.45
SEGA ENTERPRISES 3 1/2 96	200	111⅞	-¼	+5.21
SMITH & NEPHEW 4 02 £	90	132	+¼	+55.68
SUMITOMO BANK 3 1/8 04	300	76½	-⅛	+35.51
TARMAC FINANCE 9 1/2 06 £	107.5	93⅞	+¼	
TEXAS INSTRUMENTS 2 3/4 02	300	97¼	+⅛	+30.97
THORN EMI 5 3/4 04 £	103	128¾	-¼	+12.26

DEUTSCHE MARK STRAIGHTS	Issued	Bid price	Chg on week	Yield
AUSTRIA 5 7/8 97	500	96⅛	-⅞	6.78
BELGIUM 7 3/4 02	500	105¼	+1¼	6.95
BNP 8 1/4 01	200	107⅞	+¼	7.04
DEUTSCHE FINANCE 7 1/2 95	1000	101⅞		6.56
ECSC 8 5/8 96	700	106¼	+¼	6.70
EIB 7 1/2 99	400	104¼	+¼	6.72
FINLAND 7 1/2 00	3000	103	+⅞	6.94
GENERAL ELECTRIC 8 3/4 95	300	104⅝	+¼	6.69
INTER AMER DEV 9 00	300	114	+¼	6.64
IRELAND 7 3/4 02	500	104⅞	+1	7.03
KFW INTL FINANCE 7 1/4 97	1500	103	+½	6.49
SWEDEN 8 97	2500	105	+¼	6.71
TOKYO ELEC POWER 7 5/8 02	1000	104½	+¼	7.02
TURKEY 10 3/4 96	500	104⅝		9.13
UNITED KINGDOM 7 1/8 97	5000	102	+¼	6.60
VOLKSWAGEN COM 8 5/8 97	400	105⅞	+¼	7.03
WORLD BANK 0 15	2000	23¼	+¼	6.63
WORLD BANK 5 3/4 96	300	98⅛	-¼	6.40
WORLD BANK 8 3/4 00	1250	111½	+¼	6.67

SWISS FRANC STRAIGHTS	Issued	Bid price	Chg on week	Yield
ASIAN DEV BANK 6 10	100	104	+¼	5.63
COUNCIL EUROPE 4 3/4 98	250	100		4.75
EIB 6 3/4 04	300	108⅛	+1¼	5.70
ELEC DE FRANCE 7 1/4 06	100	110½	+½	6.05
FINLAND 7 1/4 99	300	108½		5.67
GENERAL MOTORS 7 1/2 95	100	102½		6.19
HYUNDAI MOTOR FIN 8 1/2 97	100	107	+½	6.65
ICELAND 7 5/8 00	100	109¼	+1	6.03
JAPAN DEV BK 5 1/2 94	100	100¼	-¼	5.22
KOBE 6 3/8 01	240	106¼	+2¼	5.42
NEW ZEALAND 4 7/8 99	200	99	+1	5.07
QUEBEC HYDRO 5 08	100	92	+3	5.81
SNCF 7 04	450	111½	+1	5.62
WORLD BANK 5 03	150	100	+¼	5.00
WORLD BANK 7 01	600	110½	+½	5.36

YEN STRAIGHTS	Issued	Bid price	Chg on week	Yield
AUSTRIA 4 3/4 94	30000	101	-¼	3.58
BELGIUM 4 5/8 94	45000	101¼		3.58
CNT 5 1/8 94	20000	101⅝		3.67
COUNCIL EUROPE 7 94	25000	104⅛		3.48
CREDIT LOCAL 7 96	30000	108⅛	-⅛	4.12
DENMARK 7 95	40000	106	-⅛	3.71
EIB 4 5/8 94	40000	101⅛		3.42
EIB 6 3/4 01	50000	114¼	+⅞	4.62
ELEC DE FRANCE 5 5/8 96	20000	105⅛		4.08
EUROFIMA 6 7/8 94	30000	103⅝		3.47
FINLAND 6 3/4 96	50000	107⅜	-⅛	4.15
INTER AMER DEV 7 1/4 00	30000	115¼	+½	4.72
JAPAN DEV BK 5 99	100000	104	+⅛	4.29
JAPAN DEV BK 6 1/2 01	120000	113⅛	+⅛	4.57
KANSAI ELEC PWR 4 5/8 94	60000	101⅝		3.40
KFW INTL FIN 6 1/4 94	25000	104½		3.67
NIPPON TEL & TEL 5 7/8 96	50000	106½	+⅛	3.89
NORDIC INV BANK 4 7/8 94	30000	101⅛		3.51
NORWAY 5 1/8 95	50000	102⅛		3.74
ONTARIO 6 1/4 96	50000	106⅝		4.24
OSTER KONTROLLBANK 7 94	25000	103⅛	-⅛	3.50
SNCF 6 3/4 00	30000	112½	+¼	4.62
SWEDEN 5 5/8 95	20000	103⅛		4.00
WORLD BANK 6 3/4 00	50000	113¼	+½	4.53
WORLD BANK 7 1/4 95	45000	107⅛		3.64

LUXFR STRAIGHTS	Issued	Bid price	Chg on week	Yield
ARBED 7 1/2 95	600	97⅞	+⅛	8.49
ECSC 7 3/4 94	1000	99⅞	+¼	7.90
GENFINANCE LUX 9 1/8 99	1000	105⅝	+⅛	7.92
WORLD BANK 8 96	1000	100⅞	+⅞	7.66

GUILDER STRAIGHTS	Issued	Bid price	Chg on week	Yield
EIB 8 7/8 01	300	113¼	+2	6.79
ENERGIE BEHEER 8 3/4 98	500	108¼	+¼	6.94
UNILEVER 9 00	500	112½	+1½	6.77

CANADIAN DOLLAR STRAIGHTS	Issued	Bid price	Chg on week	Yield
ALBERTA PROVINCE 10 5/8 96	500	107¼	+¼	7.60
BELL CANADA 10 5/8 99	150	111⅛	+¼	8.29
BRITISH COLUMBIA 10 96	500	106⅛	+¼	7.61
EIB 10 1/8 98	130	110⅝	+½	7.57
ELEC DE FRANCE 9 3/4 99	275	109⅝	+⅛	7.82
FORD CREDIT CANADA 10 94	100	102⅞	+⅛	8.04
GEN ELEC CAPITAL 10 96	300	106⅛	+⅛	7.79
KFW INT FIN 10 01	400	110⅞	+⅞	8.23
NIPPON TEL & TEL 10 1/4 99	200	110⅞	+⅛	8.06
ONTARIO HYDRO 10 7/8 99	500	112¼	+⅛	8.21
OSTER KONTROLLBANK 10 1/4 99	150	111	+⅛	7.97
QUEBEC PROV 10 1/2 98	200	109¼	+½	8.37

ECU STRAIGHTS	Issued	Bid price	Chg on week	Yield
ALL NIPPON AIRWAYS 9 95	130	99	+¼	9.50
BELGIUM 9 1/8 96	1250	103⅝	+¼	7.74
BFCE 9 99	100	102¼	+¼	8.53
BRITISH TELECOM FIN 8 1/2 94	150	98⅞	+¼	9.26
CNA 7 3/8 95	120	96⅞	+⅛	8.96
CNA 8 3/4 99	150	100⅝	+½	8.60
COUNCIL EUROPE 9 01	1000	105¼	+⅞	8.14
CREDIT FONCIER 7 5/8 94	430	98½		9.41
CREDIT LOCAL 9 95	100	100⅞		8.61
CREDIT LYONNAIS 9 96	125	101½	+¼	8.56
CREDITANSTALT 8 7/8 94	67.5	100		8.83
DENMARK 7 5/8 96	250	97¼	+¼	8.69
DEUTSCHE BK FIN 8 5/8 94	200	98⅝		9.61
EBRD 8 7/8 96	550	103¼	+¼	7.79
ECSC 8 97	141	98⅞	+¼	8.42
EEC 7 5/8 94	200	98¼		9.55
EIB 10 97	1125	107½	+¼	7.73
ELEC DE FRANCE 8 5/8 99	200	99¼	+⅛	8.76
EURATOM 7 3/8 96	100	97	+¼	8.40
EUROFIMA 7 5/8 95	165	98¼		8.57
EX-IM BANK JAPAN 10 5/8 95	200	105¼	-¼	8.29
FED BSNS DEV BK 9 94	100	99⅞		9.24
FERRO DEL STAT 10 1/8 98	500	107⅝	-½	8.27
FINLAND 10 1/4 95	250	103⅞		8.48
ITALY 10 3/4 00	1000	111⅛	-⅛	8.55
JAPAN DEV BK 8 5/8 97	200	102½	+¼	7.93
JAPAN HIGHWAY 9 1/8 96	150	101⅝	+⅛	8.60
NEW ZEALAND 10 5/8 97	300	108½	+¼	8.19
NORDIC INV BANK 9 7/8 96	300	104¼	+¼	8.20
OSTER KONTROLLBANK 8 5/8 94	100	99	-⅛	9.30
SNCF 9 99	175	102¼	+¼	8.40
SPAIN 10 3/4 95	500	105¼		8.12
SWEDISH EXPORT 9 3/4 94	300	101⅛		8.94
UNITED KINGDOM 9 1/8 01	2750	107¼	+⅛	7.89
WORLD BANK 7 1/2 94	150	98	-⅛	9.02

AUSTRALIAN DOLLAR STRAIGHTS	Issued	Bid price	Chg on week	Yield
AIDC 10 99	100	107⅞	+1⅛	8.33
BP AMERICA 12 1/4 96	100	112½	+2⅛	7.61
COMM BK AUSTRALIA 13 3/4 99	100	125½	+2	8.50
EKSPORTFINANS 12 3/8 95	75	110⅝	+1⅛	7.21
EUROFIMA 14 5/8 94	75	108⅛	+¼	6.64
MCDONALDS CANADA 15 95	100	115½	+1¼	7.47
NAT AUSTRALIA BANK 14 3/4 94	150	107⅝	+⅛	6.63
UNILEVER AUSTRALIA 12 98	150	115⅝	+2½	8.13
VOLKSWAGEN INTL 15 94	100	108⅝	+¼	6.90

STERLING STRAIGHTS	Issued	Bid price	Chg on week	Yield
ABBEY NATL TREAS 13 3/8 95	100	112¼		6.39
ALLIANCE & LEICS 11 3/8 97	100	113½		7.52
ASFINAG 12 96	100	113⅞	-⅛	6.80
ASIAN DEV BANK 9 1/2 97	50	108⅞		7.14
BRITISH GAS 12 3/4 95	300	111½		6.33
BRITISH LAND 12 1/2 16	150	113⅝	+¼	11.21
CNT 10 97	70	109⅞		7.08
DAIMLER-BENZ UK 10 3/4 96	100	110½		7.10
DEUTSCHE BK FIN 11 94	225	104	-⅛	6.24
EIB 10 97	636.5	109⅞		7.03
HALIFAX 10 3/8 97	100	110½	+¼	7.27
HSBC HOLDINGS 11.69 02	152.724	114⅛	+⅛	9.35
ITALY 10 1/2 14	400	107⅝	-⅛	9.64
LAND SECS 9 1/2 07	200	98⅝	+⅛	9.71
NATIONWIDE ANGLIA 13 1/2 00	125	121⅝	+¼	9.42
NORWAY 10 1/2 94	200	104		6.10
ONTARIO 11 1/8 01	100	116	+¼	8.30
SEVERN TRENT 11 1/2 99	150	115⅜	+¼	8.21
TOKYO ELEC POWER 11 01	150	116½	+½	8.22
WORLD BANK 11 1/4 95	100	109⅜		6.37

NEW ZEALAND DOLLAR STRAIGHTS	Issued	Bid price	Chg on week	Yield
TCNZ FIN 9 1/4 02	75	107⅜	+1⅛	8.01
WORLD BANK 14 94	75	104⅛	-⅛	8.59

FRENCH FRANC STRAIGHTS	Issued	Bid price	Chg on week	Yield
CEPME 10 95	2000	103⅛	+¼	8.31
ELF-AQUITAINE 9 99	600	103	+⅛	8.36
SNCF 9 1/4 97	4000	104⅛		8.02

EQUITY WARRANTS	Expiry Date	Bid price	Chg on week	Prem
ASAHI GLASS	25/06/98	10⅛	+⅛	30.33
CANON	24/05/95	8	-1	21.20
HANKYU DEPT STORES	14/03/96	1¼		77.17
HINO MOTORS	06/07/94			72.80
KOBE STEEL	12/06/96	1	-⅛	96.13
MITSUBISHI EST	11/03/94			
MITSUI TOATSU CHEM	30/01/98	1⅛		
MORINAGA	13/06/95	6	-1⅛	27.27
NICHIREI CORP	11/06/98	12⅛	-⅛	29.80
NIPPON COMSYS	31/01/95	5	+⅛	99.17
NISSHIN STEEL	18/04/96	⅛		
ROYAL HOTEL	14/03/95	¼		
SMC	25/07/95	⅛		
TAKASHIMAYA	02/07/96	2	-⅛	
TOYO SASH	05/08/97	2	-¼	65.85
YAMANOUCHI PHARM	01/03/94	2¼		21.83

STRAIGHT BONDS: Yield to redemption of the bid-price. Amount issued is expressed in millions of currency units.
FLOATING RATE NOTES: US dollars unless indicated. Margin above six-month offered rate for US dollars. C cpn = current coupon.
CONVERTIBLE BONDS: US Dollars unless indicated. Prem = percentage premium of the current effective price of buying shares via the bond over the most recent share price.
WARRANTS: Equity warrant prem = exercise premium over current share price. Bond warrant ex yld = exercise yield at current warrant price.

Closing prices on February 26

INTERNATIONAL BONDS

Sterling borrowers ready to lock into low rates

THE Eurosterling sector of the international bond market is poised for a marked rise in new issuance in the coming weeks, as an increasing number of borrowers take the view that the time is right to lock into the lowest interest rates the UK has *enjoyed for 20 years.*

UK corporate treasurers, who have so far declined to borrow extensively in the sterling Eurobond market for fear of missing out on further base rate cuts, are now looking hard at the various opportunities for raising fixed-rate sterling funds.

A strong UK government bond market, which had fully discounted a further cut in base rates before this weekend's comments from the chancellor of the exchequer that no cut was in prospect, has also increased the attraction of tapping the Eurosterling sector.

There is talk in the Eurobond market that the World Bank is considering proposals from banks with regard to reopening by as much as £100m to £150m its £200m 7¼ per cent Eurobond issue due 1998, launched last November.

British Gas is also said to be looking to raise £200m through a fixed-rate Eurobond issue with a maturity of seven to 10 years.

Neither borrower had any official comment on the rumours. However, British Gas, which announced its *1992 results last week, is known to* want to take £500m out of the market this year, and is also known to favour the longer end of the yield curve.

British Gas is a frequent and highly-regarded borrower in the Eurobond market, and syndicate managers say that any sterling Eurobonds it issues will be snapped up by domestic and international investors who are currently starved of paper with seven-to-10-year maturities in the sector. This lack of supply has caused the yield spread on recently-issued paper with those maturities to tighten.

For example, the spread on the seven-year £150m issue by Argyll, the UK supermarket group, has fallen to about 72 points over the 9 per cent UK gilt due in 2000, from a spread at launch of 80 basis points on February 17.

The spread on the Royal Bank of Scotland's £150m 20-year issue of subordinated Eurobonds has dropped to 125 basis points above the comparable UK gilt from 140 basis points at launch on January 28.

The exception *has been last* week's £100m issue from Peugeot Talbot Motor Company, the UK subsidiary of the French car group. The yield spread on its bonds, due December 1997, has risen to more than 100 basis points above the 8¾ per cent UK gilt due 1997 from a spread at launch of 90 basis points.

Syndicate managers involved in the deal offer two overriding reasons for the widening: the fact that Peugeot's long-term debt is not rated, and the issuer's absence from the Eurosterling market since 1981. Furthermore, the maturity of just under five years is not so attractive to institutional investors.

However, they note that competition for the Peugeot mandate was fierce, with no fewer than seven banks in the running. They also believe that the spread on the bonds would have widened further if the supply of corporate paper had not been so low.

In recent weeks, a high proportion of the UK borrowers in the sterling Eurobond market have been financial institutions seeking to raise long-term funding either to *top up their regulatory capital* or, in the case of insurance companies, to raise extra capital for their operations.

The issues have tended to coincide with the publication of the borrowers' 1992 results, and syndicate managers expect more UK borrowers to announce fund-raising exercises with their annual results over the next few weeks.

Last week, Royal Insurance raised £100m of subordinated Eurobonds due 2003. "We wanted to lock into beneficial interest rates," says Mr Roy Randall, head of group corporate relations at Royal Insurance.

The bonds have replaced the group's existing short-dated bank borrowings and have served to push out its debt profile. Together with Royal's £76m issue of convertible Eurobonds, launched last December, one-third of the group's borrowings has now got a 10-year maturity profile. More importantly, Mr Randall says that the recent bond issues have resulted in a considerable saving in the group's borrowing costs.

Also last week, Woolwich Building Society *raised a similar amount* of subordinated sterling Eurobonds, but with a much longer maturity of 24¾ years.

● The Province of Ontario will launch its first global Canadian dollar bond issue in the near future. The issue, of at least C$1bn with a maturity of 10 years, will be lead-managed by Merrill Lynch Canada, Nomura Canada, ScotiaMcLeod and Wood Gundy.

Ontario said the indicated yield spread of the bonds was around 90 basis points above comparable Canadian government bonds. It said the issue would be at a fixed rate, and there were no plans to swap the proceeds into floating rate.

The issue will be part of the province's borrowing programme for 1993-94, estimated at about C$8.9bn.

Antonia Sharpe

NEW INTERNATIONAL BOND ISSUES

Borrowers	Amount m.	Maturity	Av. life years	Coupon %	Price	Book runner	Offer yield %
US DOLLARS							
Toa Corp.♦(a)	150	Mar.1997	4	2.125	100	Nikko Europe	-
Toyota Motor Corp.	1.5bn	Mar.1998	10	5.625	101.333	Merrill Lynch/ Nomura	5.314
Sanwa Finance Aruba‡(d)	200	(d)	(d)	(d)	100	Sanwa International	-
Citi Investments#	50	Mar.1994	1	8.875	100.8252	Citicorp Inv'ment Bank	8.000
Banco Frances#	40	Mar.1998	5	10.25	99.0464	Merrill Lynch Int.	10.500
Casio Computer Co.♦(h)	350	Mar.1997	4	2	100	Daiwa Europe	-
K.Peabody Mort.Fin.II‡(i)	315	Mar.2000	7	(i)	100	Kidder Peabody Int.	-
Bank of Greece‡(j)	300	Mar.2003	10	(j)	99.7	CSFB	-
United Mexican States	200	Mar.1998	5	7.25	99.234	Deutsche Bk.London	7.439
Exxon Capital Corp.	250	Mar.2003	10	6.15	100.925	Kidder Peabody Int.	6.024
Japan Highway Public Corp.	200	Mar.2000	7	5.875	99.352	LTCB International	5.991
HM Sampoerna#	30	Mar.1996	3	9	99.625	Chase Inv'ment Bank	9.146
YEN							
Tokai Fin.(Curacao)‡#(e)	40bn	(e)	(e)	(e)	100	Nomura Int./ Tokai Int.	-
Marubeni Corp.	30bn	Jun.1998	5.27	4.6	101.66	Yamaichi Int.(Europe)	4.238
Marubeni Corp.	20bn	Jun.1997	4.27	4.3	101.5	Nikko Europe	3.908
Mitsui & Co.	30bn	Jun.1998	5.25	4.6	101.675	Daiwa Europe	4.234
Mitsui & Co.	30bn	Jun.1997	4.25	4.3	101.2	Nomura Int.	3.984
D-MARKS							
BHF Finance(Netherlands)	300	Mar.1998	5	6.75	101	BHF Bank	6.509
Heraeus Intl.Finance	100	Mar.2000	7	7.25	102.5	Deutsche Bank	6.790
European Community	2.9bn	Mar.2000	7	6.5	101.2	Dresdner Bank	6.283
National Bank of Hungary	1bn	Mar.2000	7	9.25	101	Deutsche Bank	9.051
FRENCH FRANCS							
CAR(m)	3bn	Dec.1999	6.68	7.75	99.055	CCF	7.925
Crédit Local de France(s)	1bn	Jun.2007	14.23	zero	34.37	Paribas Cap.Mkts.	7.792
STERLING							
BPB Industries§#(k)	64	Aug.2008	15.44	7.25	100	NM Rothschild/SNC	-
Peugeot Talbot Motor Co.	100	Dec.1997	4.75	7.625	101.265	NatWest Cap.Mkts.	7.288
Royal Insurance Holdings	100	Mar.2003	10	9.625	99.67	BZW	9.646
NHL No.2‡(n)	70	Jun.2030	1	(n)	99.95	Goldman Sachs Int.	-
NHL No.2‡(o)	35	Jun.2030	2	(o)	99.9	Goldman Sachs Int.	-
Swedish Export Credit(q)	200	Mar.2003	10	8	100.92	Morgan Stanley Int.	-
Woolwich Bldg.Society(r)	100	Dec.2017	24.74	10.125	100.934	Barings/ BZW	-

Borrowers	Amount m.	Maturity	Av. life years	Coupon %	Price	Book runner	Offer yield %
CANADIAN DOLLARS							
Mobil Oil Canada	125	Sep.1998	5.5	7.625	101.005	ScotiaMcLeod	7.381
GECC	100	Mar.1996	3	7.125	100.9175	Morgan Stanley Int.	6.777
City of Vienna	125	Mar.1998	5	7.25	101.185	Swiss Bank Corp.	6.961
Republic of Austria	300	Mar.2003	10	7.75	100.935	JP Morgan Securities	7.613
Rabobank Nederland	125	Mar.1998	5	7.25	100.875	Wood Gundy	7.036
Export Development Corp.	*300*	*Mar.1998*	*5*	*7*	*100.672*	*Salomon/Deutsche Bk.*	*6.837*
SBC Finance(Cayman Is.)	250	Apr.1999	6	7.25	101.005	Swiss Bank Corp.	7.039
University of Montreal	30	Mar.2001	8	8.375	101.9	BIL	8.044
GUILDERS							
NIO(f)	200	Mar.2003	10	6.75	100.55	Rabobank Nederland	6.673
AUSTRALIAN DOLLARS							
Soc.Gén.Australia(g)	25	Mar.1997	4	8.25	102.8	Hambros Bank	7.416
Treasury Corp.of Victoria	150	Apr.2003	10	8.75	100.35	Hambros Bank	8.696
National Australia Bank	100	Mar.1998	5	7.75	100.863	BZW	7.536
SAFA(p)	*100*	*Apr.1998*	*5*	*7.75*	*101.05*	*Hambros Bank*	*7.491*
SWISS FRANCS							
Kyoto Tool Co.★♦(b)	25	Mar.1997	4	1.5	100	Nikko Bank(Switz.)	-
Nisseki House Ind.★§#(c)	65	Mar.1997	4.07	3.75	100	J.Henry Schroder Bk.	-
France Telecom	150	Mar.1998	5	4.75	102.5	UBS	4.186
Dong Ah Constr.Ind.Co.★§(l)	75	Dec.1997	4.81	3.25	100	Swiss Bank Corp.	-
LUXEMBOURG FRANCS							
Cregem Intl.Bank★	400	Mar.1998	4.96	7.4	102.25	Cregem Intl.Bank	6.848

Final terms and non-callable unless stated. ★Private placement. §Convertible. ♦With equity warrants. ‡Floating rate note. #Semi-annual coupon. a) Denom.: $10,000 + 2 warrants. Exercise price: Y678. FX: 117.60Y/$. b) Denom.: SFr50,000 + 50 warrants. Exercise price: Y769. FX: 78.82Y/SFr. c) Conversion price: Y591. FX: 78.79Y/SFr. Refixing clause: conversion price can be adjusted downward on 28/4/96 by a maximum of 20%. d) Coupon pays 3-month Libor + 0.75% for the first 5 years, + 1.25% for years 6-10 and + 1.75% thereafter. Callable at par on any coupon payment date after 5 years. e) Coupon pays the Japanese long-term prime rate - 0.1% for the first 5 years, + 0.1% for years 6-10 and + 0.6% thereafter. Callable at par on Mar.1998 coupon payment date and on any payment date from Mar.2003. f) Borrowers full name: Nederlandse Investeringsbank voor Ontwikkelingslanden. g) Issue launched on 15/1/93 was increased to A$125m h) Final terms fixed on 2/3/93. i) Backed by commercial mortgages. Coupon pays 3-month Libor + 0.75%. j) Coupon pays 6-month Libor + 0.75%. Callable every 2 years from Mar.1995 at 100.25%. Puttable every 2 years from Mar.95 at par. k) Conversion price: 258p. Callable from 8/9/98 at par. l) Conversion price: Won18,835. Closing price: Won16,700. FX: 827.58Won/SFr. Callable and puttable on 31/12/95 at 108.5%. m) Borrowers full name: Caisse Autonome de Refinancement. n) Tranche A1. Coupon pays 3-month Libor + 0.85% for first 2 years and + 2% thereafter. Callable at par on step-up date and on coupon dates thereafter. o) Tranche B1. Coupon pays 3-month Libor + 1.1% for first 30 months and + 2.5% thereafter. Callable at par on step-up date and on coupon dates thereafter. p) Borrowers full name: South Australian Government Financing Authority. q) Part paid issue: 10% of principal amount due on 25/3/93 with the balance on 25/3/94. r) Callable at par on 21/12/2012; if not called coupon will be reset at the higher of the prevailing coupon or the yield of the then 5-year benchmark gilt + 250bp. s) Fungible 40 days after payment date with the outstanding FFr2bn launched in May last year. Note: Yields calculated on ISMA basis.

RISK AND REWARD

The value of hedging comes in for re-assessment

SOME fund managers are giving hedging a bad name. To most people, the term implies risk reduction: logic suggests that a "hedge fund" should carry less market exposure than a normal investment fund, for instance.

In practice, that may not be true. The growing number of such funds being sold internationally carry a wide array of risk profiles. How potential investors assess for themselves the balance between risk and potential return from such vehicles is an open question.

From their inception in the US, hedge funds have always looked remarkably unhedged. Among the leaders in the field is Mr George Soros, the Hungarian fund manager who achieved near-legendary status when a massive bet he placed against the European exchange rate mechanism *came good last year.*

But Mr Soros himself lost $800m when he wrongly predicted a stock market crash spreading from Japan in the mid-1980s: "hedge" hardly seems the right word to describe such an investment approach

Some hedge funds – many of which grew up in the commodities *markets – run rudimentary hedging strategies* that hardly warrant the name.

Such imperfect hedges can come disastrously unstuck. Many US currency funds – a popular investment vehicle in 1991 and the first part of 1992, as US interest rates fell – discovered this last autumn.

A popular approach had been to go long of higher-yielding European currencies (the Italian lira or sterling) and shorting the D-Mark to create a currency "hedge". Such a strategy was based on the apparent belief that the parities between currencies in the ERM were fixed, effectively making the lira or sterling a proxy for the D-Mark.

The hedge funds now becoming familiar outside the US largely take a more cautious approach, or so they claim. They still claim to be able to make returns far in excess of normal market levels, given the apparent level of risk, though.

The demand for such vehicles has come with falling worldwide interest rates. Not surprisingly, hedge funds – or other geared "futures funds" – like investors to judge their promised returns against money-market levels. Cresvale, a UK-based securities house that has raised $140m for three hedge funds over the past year, says it aims to make around three times the return available from cash, with no extra risk.

Citibank has just attracted $257m for a three-year geared fund, Spectrum 95, which aims for returns between two and three times more than three-year dollar rates (which currently stand at little more than 4 per cent). Both have targeted the averagely well-off who are now the target for such leveraged investments (Citicorp's minimum investment was $100,000, Cresvale's $10,000.)

Is it possible to make higher returns without also taking on higher risks? Only if the market has mispriced particular financial instruments (Cresvale's claim), or through a *portfolio diversification* approach which reduces overall exposure (Citibank's).

For investors, the problem is how to assess the claims fund managers make for their own ability to identify and take advantage of these opportunities – as well as the quality of their risk-management analy*sis at hedging away risks.*

Cresvale, for instance, claims to hedge investments in Japanese equities with equity warrants in a way that leaves it with no underlying exposure to the Japanese equity market. "The mispricing is in the relative valuation of the warrants," says Mr Lester Petch, managing *director of Cresvale International* Asset Management.

Analysed on the standard Black-Scholes method of option pricing, the warrants (or long-dated options) look cheap, he says, "but you have to know how to extra the value".

In theory, such option strategies should struggle to show a return when market volatility is low – as in the Japanese market over recent months. However, Cresvale claims a return of 18 per cent in the year since its funds started. As leveraged investment funds like this become more familiar, it may well be time to reassess what hedging really means.

Richard Waters

WORLD STOCK MARKETS

CANADA

INDICES

NEW YORK

DOW JONES	Feb 26	Feb 25	Feb 24	Feb 23	1992/93 HIGH	1992/93 LOW	Since compilation HIGH	Since compilation LOW
Industrials	3370.81	3365.14	3356.50	3323.27	3442.14 (5/2/93)	3136.58 (9/10/92)	3442.14 (5/2/93)	41.22 (2/7/32)
Home Bonds	105.37	105.58	105.59	105.65	105.98 (12/2/93)	98.41 (20/3/92)	105.98 (12/2/93)	54.99 (1/10/81)
Transport	1518.10	1532.20	1506.21	1482.65	1589.61 (8/2/93)	1204.40 (26/8/92)	1589.61 (8/2/93)	12.32 (8/7/32)
Utilities	240.17	238.61	238.98	238.55	240.61 (22/2/93)	200.74 (8/4/92)	240.61 (22/2/93)	10.50 (8/4/32)

DJ Ind. Day's High 3398.21 (3387.02) Low 3336.23 (3328.78) (Theoretical‡)
Day's High 3377.30 (3365.14) Low 3351.38 (3343.26) (Actual‡)

STANDARD AND POOR'S	Feb 26	Feb 25	Feb 24	Feb 23	1992/93 HIGH	1992/93 LOW	Since compilation HIGH	Since compilation LOW
Composite ‡	443.38	442.34	440.87	434.80	449.56 (4/2/93)	394.50 (8/4/92)	449.56 (4/2/93)	4.40 (1/6/33)
Industrials	509.24	507.63	506.18	498.55	518.43 (4/2/93)	470.91 (8/4/92)	518.43 (4/2/93)	3.62 (21/6/32)
Financial	43.07	43.01	42.55	41.75	44.32 (4/2/93)	32.40 (8/4/92)	44.32 (4/2/93)	8.64 (1/10/74)
NYSE Composite	244.08	243.38	242.58	239.37	247.98 (4/2/93)	217.92 (8/4/92)	247.98 (4/2/93)	4.46 (28/4/42)
Amex Mkt. Value	406.84	405.43	403.41	398.95	418.99 (12/2/93)	364.85 (9/10/92)	418.99 (12/2/92)	29.31 (9/12/72)
NASDAQ Composite	670.77	667.07	662.46	651.40	708.85	547.84	708.85	54.87

TOKYO - Most Active Stocks

Friday, February 26, 1993

	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
Showa Shell	6.5m	801	-24	Furukawa Elec	2.9m	427	+10
Toray Inds	4.6m	610	-8	Japan Mtl Chem	2.9m	550	+28
Npn Steel Corp	4.2m	297	+6	Isuzu Motor	2.5m	360	+5
Green Cross	3.4m	1170	+20	Mitsubishi Heavy	2.5m	505	+5
Ishihara Sangyo	3.0m	324	+19	UBE Inds	2.4m	319	+4

FT MANAGED FUNDS SERVICE

● Unit Trust prices are available from FT Cityline, call 0891 43 + the five-digit code listed after the unit trusts. Calls charged at 38p/minute cheap rate and 48p/minute at all other times.

AUTHORISED UNIT TRUSTS

Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of Lautro §§

INITIAL CHARGE: Charge made on sale of units. Used to defray marketing and administrative costs, including commission paid to intermediaries. This charge is included in the price of units.

OFFER PRICE: Also called issue price. The price at which units are bought by investors.

BID PRICE: Also called redemption price. The price at which units are sold back by investors.

CANCELLATION PRICE: The minimum redemption price. The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, most unit trust managers quote a much narrower spread. As a result, the bid price is often set above the cancellation price. However, the bid price might be moved to the cancellation price by the managers at any time, usually in circumstances in which there is a large excess of sellers of units over buyers.

TIME: The time shown alongside the fund manager's name is the time of the unit trust's valuation point unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: (♥) - 0001 to 1100 hours; (♦) - 1101 to 1400 hours; (♦) - 1401 to 1700 hours; (♠) - 1701 to midnight. Daily dealing prices are set on the basis of the valuation point; a short period of time may elapse before prices become available.

HISTORIC PRICING: The letter H denotes that the managers will normally deal on the price set on the most recent valuation. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis. The managers must deal at a forward price on request, and may move to forward pricing at any time.

FORWARD PRICING: The letter F denotes that the managers deal at the price to be set on the next valuation. Investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper are the most recent provided by the managers.

SCHEME PARTICULARS AND REPORTS: The most recent report and scheme particulars can be obtained free of charge from fund managers.

Other explanatory notes are contained in the last column of the FT Managed Funds Service.

§§ Life Assurance and Unit Trust Regulatory Organisation, Centre Point, 103 New Oxford Street, London WC1A 1QH
Tel: 071 – 379 – 0444.

FT MANAGED FUNDS SERVICE

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Unit Name	Init Chrge	Canc. Price	Bid Price	Offer Price	Yield Gr's	City-line
Sharp (Albert E.) & Co (1000)F						
Admin 5 Rayleigh Rd Hutton Brentwood Essex						
Enquiries 0277 227300 Dealing 0277 261010						
European	5	108 90	109 40	115 20	1 40	-
Int'l Bond & Conv	5	126 80	127 00	133 70	5 40	47424
Pooled Pension	7	154.7	155 6	166 4	-	47257
Smaller Cos	5	61 15	62 94	66.25	1 98	46203
UK General	5	115 10	116 90	123 10	2.78	-
Sheppards Unit Trust Mngmt Ltd (1200)F						
1 White Hart Yard, London Bridge SE1 071 407 5966						
Income	5	381 82	381 82	406 19	5 1	40913
Global Inc	5	58 43	58 43	62.16	3 93	40916
Brit Leaders	5	310 09	310 09	329 88	3 11	40914
Int'l Leaders	5	185 62	185 62	197 47	1 67	40915
P'As Mas Cal Grtab	3½	52.93	54 2	56 31	3 02	-
Singer & Friedlander UT Mgmt Ltd (1000)F						
PO Box 224 Beckenham BR3 4TF 081-663 3003						
European Trust	6	53 16	53.25	56 65	1 37	43492
Far Eastern Tst	6	57 71	58 48	62 21	0 80	-
Smaller Cos	5	142.2	146 9xd	156.3	2.11	47431
Smith & Williamson Unit Tst Mgrs (1600)F						
1 Riding House St, London W1A 3AS 071-637 5377						
S & W American	5	272 4	273 0	288 8	0.93	41390
S & W Capital	5	115 1	115.1xd	123 3	1 85	40181
S & W Cash	0	102 53	102 53	102 53	5 85	47907
S & W European	5	116 1	116 2	122.9	1.55	40253
S & W Far Eastern	5	121 0	122 2	129 2	0 19	46974
S & W Growth	5	122.4	123 9xd	131.1	1 40	41391
S & W Income	5	109 9	111 0	117 4	5 14	41392
S & W Magnum	5	122.1	122.1	130 8	1 96	47800
S & W Smllr Secs	5	300 7	306 7	324 5	0 62	41395
S & W Thoroughbred	5	141.2	141 2	151 5	1 67	40263

Unit Name	Init Chrge	Canc. Price	Bid Price	Offer Price
Whittingdale Unit Tst Mgmt Ltd				
2 Honey Lane, London EC2V 8BT				
Challenger	2½	94 57	94 57	96
Short Dtd Gilt	1½	109 9	109 9	11[illegible]
U.S. Govmt Bond	1½	0.7116	0 7116	0 72[illegible]
Gilt Income	4	52 62	52 62	54 [illegible]
Gilt Growth	4	65 58	65 58	68.[illegible]
City Reserve	0	52 24	52 24	52 [illegible]
Woolwich Unit Trust Managers Ltd				
1 White Oak Square, Swanley BR8 7AG				
Stockmarket Fd	5	64 35	64 50	68.[illegible]

OTHER UK UNIT TRUSTS

	Bid Price	Offer Price
Baillie Gifford & Co Ltd		
Int I Exm Feb 19	671 2	692.71
Baring Investment Mngmt Ltd		
155 Bishopsgate, London EC2M 3XY		
071 214 1050 (general enquiries) 071 214 [illegible]		
Charitable Funds		
UK Growth & Income	52 84	54 73
Income Plus	50.07	51.10
James Capel Fund Managers Ltd		
European Exempt.	£112 465	113 72xd
Japanese Exempt.	£114 069	115.806

[illegible]

INSURANCES

[illegible]

Continued on next page

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Prolific Life & Pensions Ltd

Sunnmongate, Kendall, Cumbria LA9 4UB 0539 733733

Managed Fund see Balanced Growth Managed Fund

	Bid Price	Offer Price	Yield Gross	City-line
Life Funds				
Adventurous Mngd.	167.6	178.3	-	46402
Balanced Grth Mngd.	684.6	728.4	-	43325
Cautious Mngd	130.0	138.3	-	46403
Cash Fd.	318.1	335.3	-	43316
Property Fund	216.7	230.6	-	43317
Gilt Fund 20	449.4	478.1	-	43329
Equity Fund	784.8	834.9	-	43318
Fxd. Int. Fund	420.1	442.7	-	43319
International	350.9	373.3	-	43320
High Income	605.9	644.6	-	43321
Technology	453.2	482.2	-	43325
North American	470.0	500.1	-	43323
Far East	474.9	505.3	-	43322
Special Sits	555.9	591.4	-	43324
Extra Inc Fd	328.2	349.2	-	43326
American Income	193.3	205.7	-	43328
Convertible & Gilt Fd.	160.0	170.3	-	43327
European Fund	127.4	135.6	-	43330
Pref & Fixed Int	116.6	124.1	-	46392
UK Blue Chip	117.9	124.3	-	47044
Recovery Fund	116.9	123.2	-	47054
Equity Income Dist.	109.7	116.8	4.88	47816
Managed Dist.	104.2	110.9	5.60	47817
High Yield Dist	105.6	111.3	8.10	44422
Pension Funds				
Adventurous Mngd Pens Acc	178.0	187.4	-	46404
Balncd Gth Mngd Pens Acc	798.8	840.9	-	43331
Cautious Mngd Pens Acc	150.8	158.8	-	46405
Building Soc. Acc.	367.4	386.8	-	43332
Property Pens. Acc.	295.4	311.0	-	43333
Fix. Int. Pens Acc	664.8	699.8	-	43334
Equity Pens Acc	1028.7	1082.9	-	43335
International Pens Acc	329.4	346.8	-	43336
High Inc Pens Acc	681.0	716.9	-	43337
Tech Pens Acc	319.7	336.6	-	43338
N American Pens Acc	362.8	381.9	-	43339
Far Eastern Pens Acc	481.8	507.2	-	43340

Reliance Mutual

Reliance House, Tunbridge Wells, Kent 0892 510033

	Bid Price	Offer Price	Yield Gross	City-line
Deposit Acc Fd.	169.2	178.2	-	43575
Equity Acc Fd.	407.6	428.9	-	43576
Managed Acc Fd.	361.5	380.6	-	43577
Prop Fd (1st Issue)	-	668.8	-	43578
Prop Acc Fd (2nd Iss)	124.8	131.4	-	43579
Unit Trust Mp Fd	179.7	189.1	-	43580
RL Pension Funds				
Deposit Acc.	246.3	259.2	-	43581
Equity Acc.	305.9	322.0	-	43582
Fixed Int Acc	253.6	266.9	-	43583
Gilt Indx Lnk Acc	191.4	201.4	-	43584
Managed Acc	406.5	427.9	-	43585

J Rothschild Assurance PLC

J Rothschild House, Dollar Street, Cirencester

Telephone. 0285-640302 Helpline: 041 307 6500

	Bid Price	Offer Price	Yield Gross	City-line
Life Funds				
Income Distribution	94.70	99.70	-	-
JRA/M&G Managed	118.8	125.1	-	46639
JRA/Scottish Amicable Mngd	114.2	120.3	-	46996
JRA/St James's Place Mngd	121.9	128.4	-	47133
Deposit	100.5	105.8	-	46781
Far East	127.6	134.4	-	46304
Gilts	108.3	114.0	-	46397
Greater European	117.0	123.2	-	46488
North American	137.0	144.3	-	46859
UK Equity	119.0	125.3	-	47134
Pension Funds				
JRA/M&G Managed cap	117.5	123.7	-	46800
JRA/M&G Managed acc	121.9	128.4	-	46714
JRA/Scottish Amicable Mngd cap	114.0	120.1	-	47129
JRA/Scottish Amicable Mngd acc	118.4	124.7	-	47128
JRA/St James's Pl Mngd cap	127.6	134.4	-	47131
JRA/St James's Pl Mngd Acc	132.5	139.5	-	47130
Deposit cap	100.3	105.6	-	46285
Deposit acc	104.2	109.7	-	46284
Far East cap	125.8	132.5	-	46395
Far East acc	130.6	137.5	-	46358
Gilts cap	105.9	111.5	-	46401

[illegible]

OFFSHORE INSURANCES

[illegible]

MANAGEMENT SERVICES

[illegible]

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

[illegible]

CANADA (SIB RECOGNISED)

[illegible]

GUERNSEY (SIB RECOGNISED)

[illegible]

GUERNSEY (REGULATED)(**)

[illegible]

IRELAND (SIB RECOGNISED)

[illegible]

IRELAND (REGULATED)(**)

[illegible]

ISLE OF MAN (SIB RECOGNISED)

[illegible]

ISLE OF MAN (REGULATED)(**)

[illegible]

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JERSEY (SIB RECOGNISED)

LUXEMBOURG (SIB RECOGNISED)

JERSEY (REGULATED)(**)

LUXEMBOURG (REGULATED)(**)

SWITZERLAND (SIB RECOGNISED)

OTHER OFFSHORE FUNDS

FT MANAGED FUNDS NOTES

هكذا من الأصل

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGE AND MONEY MARKETS

Focus on Germany

THE MAIN focus in foreign exchange markets this week is on whether the Bundesbank *will* ease monetary policy again at its council meeting on Thursday, *writes James Blitz.*

There has been considerable speculation that the Lombard and Discount rates will be cut again on Thursday, not least because of the fledgling tensions in the European exchange rate mechanism.

Mr Gerard Lyons, chief economist at DKB International in London, believes there are several reasons why a cut could come now.

He points out that monetary growth is slowing, the recession in the manufacturing sector is deepening and business confidence fell further in January.

Recent inflation data from the German states may have dented any willingness to cut rates. But, Mr Lyons says: "Although the February inflation data was stubbornly high, the other recent domestic indicators point to the need for *lower rates.*"

Miss Alison Cottrell, an international economist at Midland Global Markets in London, belives that the Bundesbank will not ease its official rates at all.

She believes the Bundesbank will not want to be seen to make any policy change immediately after this weekend's G7 meeting, giving the impression that it can be swayed by international pressures.

Today's change in minimum reserve requirements also ties the Bundesbank's hand, because there will be more liquidity in German money markets, and the central bank would not want to confuse markets by easing policy at this time.

The regional elections on 7th March are also cited as a reason for policy to stay on hold, as the Bundesbank would not want to be seen to be influencing political developments.

If there is tension in the ERM, Miss Cottrell believes the Bundesbank could buy time by cutting the repo rate, which it has not done since rates were cut earlier this month.

£ IN NEW YORK

Feb.26	Close	Previous Close
£ Spot	1.4265-1.4275	1.4315 1.4325
1 month	0.39-0.38pm	0.39 0.38pm
3 months	1.02-1.00pm	1.07 1.05pm
12 months	2.78-2.70pm	2.97 2.90pm

Forward premiums and discounts apply to the US dollar

STERLING INDEX

	Feb.26	Previous
8.30 am	76.3	75.7
9.00 am	76.3	75.8
10.00 am	76.1	75.9
11.00 am	76.3	75.9
Noon	76.3	76.1
1.00 pm	76.3	76.1
2.00 pm	76.2	76.1
3.00 pm	76.0	76.3
4.00 pm	76.0	76.3

CURRENCY MOVEMENTS

Feb 26	Bank of England Index	Morgan** Guaranty Changes %
Sterling	76.0	-33.70
U.S Dollar	66.6	-11.50
Canadian Dollar	97.0	-5.64
Austrian Schilling	115.9	+17.58
Belgian Franc	116.6	+2.61
Danish Krone	119.9	+14.08
D-Mark	126.4	+33.26
Swiss Franc	109.8	+18.10
Dutch Guilder	120.4	+21.96
French Franc	110.5	-5.94
Lira	78.8	-36.08
Yen	163.6	+100.99
Peseta	99.4	-24.52

Morgan Guaranty changes: average 1980-1982=100. Bank of England Index (Base Average 1985=100). **Rates are for Feb.25

OTHER CURRENCIES

Feb 26	£	$
Argentina	1.4210 - 1.4225	0.9995 - 1.0005
Australia	2.0450 - 2.0470	1.4380 - 1.4390
Brazil	27174.5 - 27185.0	19117.0 - 19117.1
Finland	8.4550 - 8.5035	5.9400 - 5.9700
Greece	314.450 - 320.75	220.040 - 224.450
Hong Kong	10.9855 - 10.9975	7.7330 - 7.7340
Iran	2200.00*	1485.00*
Korea(Sth)	1130.60 - 1148.80	792.40 - 798.60
Kuwait	0.43700 - 0.43800	0.30750 - 0.30800
Luxembourg	48.10 - 48.20	33.80 - 33.90
Malaysia	3.7360 - 3.7455	2.6300 - 2.6320
Mexico	4.4065 - 4.4095	3.1000 - 3.1020
N.Zealand	2.7115 - 2.7160	1.9075 - 1.9105
Saudi Ar	5.3245 - 5.3355	3.7495 - 3.7505
Singapore	2.3360 - 2.3420	1.6445 - 1.6465
S.Af (Cm)	4.4575 - 4.4680	3.1225 - 3.1275
S.Af (Fn)	6.5765 - 6.5865	4.5100 - 4.5320
Taiwan	36.55 - 36.70	25.70 - 25.80
U.A.E.	5.2135 - 5.2265	3.6715 - 3.6735

*Floating rate. Iran Official rate:£98.50 $66.30

CURRENCY RATES

Feb 26	Bank § rate %	Special * Drawing Rights	European † Currency Unit
Sterling	-	0.964902	0.826542
U.S Dollar	3.00	1.38145	1.17592
Canadian $	6.40	1.73179	1.47108
Austrian Sch	8.25	15.8176	13.6160
Belgian Franc	7.50	46.2820	39.8578
Danish Krone	11.50	8.60989	7.43006
D-Mark	8.00	2.25038	1.93498
Dutch Guilder	7.50	2.53952	2.17639
French Franc	10	7.65875	6.57222
Italian Lira	11.50	2174.73	1869.36
Japanese Yen	2.50	162.320	138.665
Norway Krone	-	9.59003	8.25379
Spanish Peseta	-	162.196	139.053
Swedish Krona	11.50	N/A	9.22980
Swiss Franc	5.50	2.08516	1.79328
Greek Drach	19	N/A	261.995
Irish Punt	-	N/A	0.796425

§ Bank rate refers to central bank discount rates. These are not quoted by the UK, Spain and Ireland. † European Commission Calculations. * All SDR rates are for Feb.25

CHICAGO

U.S. TREASURY BONDS (CBT) 8% $100,000 32nds of 100%

	Close	High	Low	Prev.
Mar	110-28	111-11	110-23	110-31
Jun	109-20	110-04	109-15	109-23
Sep	108-12	108-27	108-09	108-15
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

JAPANESE YEN (IMM) Y12.5m $ per Y100

	Close	High	Low	Prev.
Mar	0.8456	0.8507	0.8442	0.8513
Jun	0.8457	0.8494	0.8444	0.8514
Sep	0.8462	0.8497	0.8455	0.8519

U.S. TREASURY BILLS (IMM) $1m points of 100%; DEUTSCHE MARK (IMM) DM125,000 $ per DM; THREE-MONTH EURODOLLAR (IMM) $1m points of 100%; BRITISH POUND (IMM) $ per £; STANDARD & POORS 500 INDEX; SWISS FRANC (IMM) SFr 125,000 $ per SFr; PHILADELPHIA SE £/$ OPTIONS £31,250 (cents per £1) — [illegible]

POUND SPOT - FORWARD AGAINST THE POUND

Feb 26	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.4190 - 1.4285	1.4225 - 1.4235	0.39-0.37cpm	3.20	1.03-1.00pm	2.85
Canada	1.7750 - 1.7910	1.7770 - 1.7780	0.17-parcpm	0.57	0.20-0.01pm	0.24
Netherlands	2.6225 - 2.6350	2.6225 - 2.6325	¼-½cdis	-2.00	1¼-1½dis	-1.90
Belgium	48.05 - 48.30	48.10 - 48.20	11-14cdis	-3.12	33-37dis	-2.91
Denmark	8.9525 - 9.0150	8.9800 - 8.9900	7-11oredis	-12.02	20½-23½dis	-9.79
Ireland	0.9595 - 0.9645	0.9595 - 0.9605	0.65-0.75cdis	-8.75	1.95-2.15dis	-8.54
Germany	2.3300 - 2.3425	2.3325 - 2.3375	¼-½pfdis	-2.25	1¼-1½dis	-2.25
Portugal	213.50 - 215.75	213.50 - 214.50	133-207cdis	-9.53	397-500dis	-8.38
Spain	167.00 - 169.00	167.25 - 167.55	160-205cdis	-13.08	372-433dis	-9.62
Italy	2255.50 - 2265.00	2261.00 - 2262.00	10-11liredis	-5.57	30-33dis	-5.57
Norway	9.9525 - 10.0150	9.9600 - 9.9700	1⅞-3¾oredis	-3.39	6¼-9½dis	-3.14
France	7.9175 - 7.9600	7.9350 - 7.9450	3¼-4½cdis	-6.14	11¼-12½dis	-5.98
Sweden	11.0900 - 11.2450	11.1150 - 11.1250	2⅝-4½oredis	-3.84	7¾-10¾dis	-3.33
Japan	167.00 - 168.50	167.50 - 168.50	½-¼ypm	3.13	1¼-1¼pm	2.83
Austria	16.40 - 16.53	16.40 - 16.43	1⅛-2⅞grodis	-1.74	6½-8¼dis	-1.81
Switzerland	2.1625 - 2.1775	2.1675 - 2.1775	¼-parcpm	0.69	½-¼pm	0.46
Ecu	1.2070 - 1.2125	1.2075 - 1.2085	0.34-0.38cdis	-3.58	1.05-1.13dis	-3.61

Commercial rates taken towards the end of London trading. Six-month forward dollar 1.76-1.71pm. 12 Month 2.82-2.72pm.

DOLLAR SPOT - FORWARD AGAINST THE DOLLAR

Feb 26	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.4190 - 1.4285	1.4225 - 1.4235	0.39-0.37cpm	3.20	1.03-1.00pm	2.85
Ireland†	1.4740 - 1.4815	1.4800 - 1.4810	1.33-1.43cdis	-11.19	3.65-3.95dis	-10.27
Canada	1.2480 - 1.2560	1.2490 - 1.2500	0.26-0.30cdis	-2.69	0.83-0.90dis	-2.77
Netherlands	1.8425 - 1.8515	1.8460 - 1.8470	0.80-0.83cdis	-5.30	2.19-2.25dis	-4.81
Belgium	33.70 - 33.95	33.80 - 33.90	17.00-19.00cdis	-6.38	48.00-52.00dis	-5.91
Denmark	6.2850 - 6.3250	6.3125 - 6.3175	6.00-10.00oredis	-15.20	18.00-24.00dis	-13.30
Germany	1.6360 - 1.6475	1.6410 - 1.6420	0.76-0.78pfdis	-5.63	2.08-2.11dis	-5.11
Portugal	150.40 - 151.25	150.65 - 150.75	156-163cdis	-12.70	430-450dis	-11.68
Spain	117.70 - 118.30	117.70 - 117.80	140-175cdis	-16.05	330-400dis	-12.40
Italy	1582.00 - 1600.00	1589.00 - 1589.50	10.90-11.90liredis	-8.61	32.50-34.00dis	-8.37
Norway	6.9800 - 7.0250	7.0000 - 7.0050	3.55-4.05oredis	-6.51	10.30-11.10dis	-6.11
France	5.5600 - 5.6025	5.5775 - 5.5825	4.15-4.35cdis	-9.14	12.35-12.75dis	-9.00
Sweden	7.7400 - 7.8925	7.8125 - 7.8175	4.20-4.90oredis	-6.99	12.00-13.00dis	-6.40
Japan	117.65 - 118.25	117.95 - 118.05	0.01-0.02ydis	-0.15	0.02-0.03dis	-0.08
Austria	11.5250 - 11.5825	11.5625 - 11.5675	4.65-5.00grodis	-5.01	13.30-14.40dis	-4.79
Switzerland	1.5160 - 1.5275	1.5255 - 1.5265	0.30-0.34cdis	-2.52	0.89-0.94dis	-2.40
Ecu†	1.1740 - 1.1800	1.1785 - 1.1795	0.68-0.66cpm	6.82	1.93-1.91pm	6.51

Commercial rates taken towards the end of London trading. † UK, Ireland and Ecu are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency.

EXCHANGE CROSS RATES

Feb.26	£	$	DM	Yen	F Fr.	S Fr.	N Fl.	Lira	C$	B Fr.	Pta.	Ecu
£	1	1.423	2.335	168.0	7.940	2.172	2.627	2261	1.777	48.15	167.4	1.208
$	0.703	1	1.641	118.1	5.580	1.526	1.846	1589	1.249	33.84	117.6	0.849
DM	0.428	0.609	1	71.95	3.400	0.930	1.125	968.3	0.761	20.62	71.69	0.517
YEN	5.952	8.470	13.90	1000.	47.26	12.93	15.64	13458	10.58	286.6	996.4	7.190
F Fr.	1.259	1.792	2.941	211.6	10.	2.736	3.309	2848	2.238	60.64	210.8	1.521
S Fr.	0.460	0.655	1.075	77.35	3.656	1	1.209	1041	0.818	22.17	77.07	0.556
N Fl.	0.381	0.542	0.889	63.95	3.022	0.827	1	860.7	0.676	18.33	63.72	0.460
Lira	0.442	0.629	1.033	74.30	3.512	0.961	1.162	1000.	0.786	21.30	74.04	0.534
C$	0.563	0.801	1.314	94.54	4.468	1.222	1.478	1272	1	27.10	94.20	0.680
B Fr.	2.077	2.955	4.849	348.9	16.49	4.511	5.456	4696	3.691	100.	347.7	2.509
Pta	0.597	0.850	1.395	100.4	4.743	1.297	1.569	1351	1.062	28.76	100.	0.722
Ecu	0.828	1.178	1.933	139.1	6.573	1.798	2.175	1872	1.471	39.86	138.6	1

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100: Peseta per 100

EURO-CURRENCY INTEREST RATES

Feb 26	Short term	7 Days notice	One Month	Three Months	Six Months	One Year
Sterling	6¼ - 6	[illegible]	[illegible]	[illegible]	[illegible]	5½ - 5⅜
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Long term Eurodollars: two years 4⅞-4¾ per cent; three years 4¾-4⅝ per cent; four years 5¼-5⅛ per cent; five years 5½-5⅜ per cent nominal. Short term rates are call for US Dollars and Japanese Yen; others, two days' notice

FT LONDON INTERBANK FIXING

(11.00 a.m. Feb.26) 3 months US dollars — bid 3¼ offer 3¼; 6 months US Dollars — bid 3⅜ offer 3⅜

The fixing rates are the arithmetic means rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted to the market by five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

MONEY RATES

NEW YORK — Treasury Bills and Bonds — [illegible]

LONDON MONEY RATES

[illegible]

LONDON RECENT ISSUES

EQUITIES; FIXED INTEREST STOCKS; RIGHTS OFFERS — [illegible]

BANK OF ENGLAND TREASURY BILL TENDER

[illegible]

WEEKLY CHANGE IN WORLD INTEREST RATES

[illegible]

BASE LENDING RATES

	%		%		%
Adam & Company	6	Cyprus Popular Bank	6	NatWestminster	6
Allied Trust Bank	6	Duncan Lawrie	6	Nykredit Mortgage Bnk	6.5
AIB Bank	6	Equatorial Bank plc	6	●Rea Brothers	6
●Henry Ansbacher	6	Exeter Bank Limited	7	Roxburghe Bank Ltd	8
B & C Merchant Bank	13	Financial & Gen Bank	7	Royal Bk of Scotland	6
Bank of Baroda	6	●Robert Fleming & Co	6	●Smith & Williamson Secs.	6
Banco Bilbao Vizcaya	6	Girobank	6	Standard Chartered	6
Bank of Cyprus	6	●Guinness Mahon	6	TSB	6
Bank of Ireland	6	Habib Bank AG Zurich	6	Unibank plc	6
Bank of India	6	●Hambros Bank	6	●United Bk of Kuwait	6
Bank of Scotland	6	Heritable & Gen Inv Bk.	6	Unity Trust Bank Plc	6
Barclays Bank	6	●Hill Samuel	6	Western Trust	6
Brit Bk of Mid East	6	C. Hoare & Co	6	Whiteaway Laidlaw	6
●Brown Shipley	6	Hongkong & Shanghai	6	Yorkshire Bank	6
CL Bank Nederland	6	Julian Hodge Bank	6		
Citibank NA	6	●Leopold Joseph & Sons	6		
City Merchants Bank	6	Lloyds Bank	6		
Clydesdale Bank	6	Meghraj Bank Ltd	6		
The Co-operative Bank	6	McDonnell Douglas Bk.	6		
Coutts & Co	6	Midland Bank	6		
Credit Lyonnais	6	Mount Banking	6		

● Members of British Merchant Banking & Securities Houses Association

STOCK INDICES

	Feb 26	Feb 25	Feb 24	Feb 23	Feb 22	Feb 19	1992/93 High	1992/93 Low	Since Compilation High	Since Compilation Low
FT-SE 100	2868.0	2828.7	2817.0	2818.0	2838.3	2840.0	2873.8	2281.0	2873.8	986.9
FT-SE Mid 250	3036.1	3029.5	3029.9	3037.1	3049.0	3048.3	3051.4	2157.8	3051.4	1379.4
FT-SE-A 350	1414.2	1398.3	1393.8	1395.0	1404.0	1404.6	1416.5	1103.1	1416.5	664.5
FT-A All-Share	1396.53	1381.52	1377.40	1378.84	1386.90	1387.47	1398.63	1086.13	1398.63	61.92
FT-SE Eurotrack 100	1139.80	1125.06	1118.05	1119.41	1132.76	1136.60	1200.27	937.42	1200.27	900.45
FT-SE Eurotrack 200	1194.07	1178.13	1172.14	1178.69	1190.84	1191.09	1248.79	1010.09	1248.79	938.62
FT Ordinary	2208.4	2178.5	2172.9	2180.7	2188.0	2200.7	2226.1	1670.0	2226.1	49.4
FT Government Secs.	96.71	96.26	96.52	96.54	96.57	96.32	96.71	85.11	127.40	49.18
FT Fixed Interest	112.34	112.35	112.50	112.41	112.25	112.06	112.50	97.15	112.50	50.53
FT Gold Mines	93.2	94.9	95.3	93.5	93.3	93.5	160.6	60.0	734.7	43.5

LONDON SHARE SERVICE

BRITISH FUNDS

[illegible]

OTHER FIXED INTEREST

[illegible]

Continued on next page

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co. and NatWest Securities Limited in conjunction with the Institute of Actuaries and the Faculty of Actuaries

[illegible]

MONEY MARKET FUNDS

Money Market Trust Funds

[illegible]

Money Market Bank Accounts

[illegible]

NOTES— Gross. Contractual rate of interest payable, not taking account of the deduction of basic rate income tax. Net: Rate of interest payable after allowing for deduction of basic rate income tax. Gross CAR: Gross rate annualised to take account of compounding of interest paid other than once a year. 'Compounded Annual Rate'. Int Crd: Frequency at which interest is credited to the account.

LONDON SHARE SERVICE

AMERICANS

	Notes	Price £	W'K% ch'nge	Div gross	Dividends paid	Last xd	City line
Abbott Labs		18⅞xd	7.3	68c	FeMyAuNv	12.1	1603
Allegheny & W	♥	514p	-.4	38c	-	-	-
Amdahl		598p	4.3	16c	NvFeJeAu	31.1	-
Amer Cyanamid		34⅞	1.9	$1.65	MrJeSeDe	4.3	-
Amer Express		16⅞xd	2.1	$1.00	FeMyAuNv	29.9	1594
Amer T & T		39⅞xd	7.9	$1.32	FeMyAuNv	29.12	1597
Ameritech		52⅛	3.2	$3.88	FeMyAuNv	29.3	-
BankAmerica		37⅞xd	8.5	$1.40	MrJeSeDe	18.2	1744
Bankers NY		47⅞xd	2.6	$3.12	ApJyOcJa	24.12	1745
Bell Atlantic		39⅛	5.4	$2.60	FeMyAuNv	4.7	-
BellSouth		39⅛	5.0	$2.76	FeMyAuNv	5.4	-
Bethlehem Steel	♥	12xd	-4.9	-	MrJeSeDe	8.2	1821
Bowater		1488pxd	2.3	$1.20	OcJaApJy	9.3	1884
CPC	h	32⅞xd	5.4	$1.20	JaApJyOc	28.12	2283
Cadiz Land Inc	♥	115p	—	-	†	-	-
California Engy		1418p	—	-	-	-	-
Chase Manhattan		21⅞xd	7.7	$1.28	FeMyAuNv	28.1	2109
Chrysler		27⅞xd	4.5	60c	ApJyOcJa	10.12	2135
Citicorp		18⅞xd	8.1	-	-	23.10	2141
Colgate-Palm		43⅛xd	8.2	$1.24	FeMyAuNv	22.7	2184
Cont'l Bank		1687p	7.8	60c	DeMrJeSe	31.5	-
Dana		31⅞xd	2.8	$1.60	MrJeSeDe	24.2	2306
Data General		857p	1.2	-	-	-	-
Decora Inds	♥	146p	—	-	†	-	-
Dun & Brad		40⅛	1.9	$2.28	MrJeSeDe	13.2	-
Eaton		55⅛	0.4	$2.20	FeMyAuNv	2.2	2410
Echlin		17⅛xd	—	70c	JaApJyOc	29.12	3046
FPL		27⅞xd	4.4	$2.44	MrJeSeDe	28.8	-
Ford Motor		32⅞	0.4	$1.60	MrJeSeDe	29.1	2615

[illegible]

CANADIANS

[illegible]

BANKS

[illegible]

BREWERS & DISTILLERS

[illegible]

BUILDING MATERIALS

[illegible]

BUILDING MATERIALS - Cont.

[illegible]

BUSINESS SERVICES

[illegible]

CHEMICALS

[illegible]

CONGLOMERATES

[illegible]

CONTRACTING & CONSTRUCTION

[illegible]

ELECTRICALS

[illegible]

ELECTRICITY

[illegible]

ELECTRONICS

[illegible]

ENGINEERING-AEROSPACE

[illegible]

ENGINEERING-GENERAL

[illegible]

ENGINEERING-GENERAL - Cont.

[illegible]

FOOD MANUFACTURING

[illegible]

FOOD RETAILING

[illegible]

HEALTH & HOUSEHOLD

[illegible]

HOTELS & LEISURE

[illegible]

HOTELS & LEISURE - Cont.

[illegible]

INSURANCE BROKERS

[illegible]

INSURANCE COMPOSITE

[illegible]

INSURANCE LIFE

[illegible]

INVESTMENT TRUSTS

[illegible]

INVESTMENT TRUSTS - Cont.

[illegible]

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LONDON SHARE SERVICE

INVESTMENT TRUSTS - Cont.

INVESTMENT COMPANIES

MEDIA

MERCHANT BANKS

METALS & METAL FORMING

MISCELLANEOUS

MOTORS

OIL & GAS

OIL & GAS - Cont.

OTHER FINANCIAL

OTHER INDUSTRIALS

PACKAGING, PAPER & PRINTING

PACKAGING, PAPER & PRINTING - Cont.

PROPERTY

STORES

TELEPHONE NETWORKS

TEXTILES

TRANSPORT

WATER

SOUTH AFRICANS

PLANTATIONS

MINES

MINES - Cont.

	Notes	Price	+or-	Mkt cap	Div net	Cvr	Gr's	Dividends paid	Last xd	City line
Glencar Expl I£	††	7	.....	–	–	–	–	–	–	–
Greenwich Res	♣□	12¾	27.5	–	–	–	–	–	–	2773
Hemlo Gold C$		94⅞	8.3	020c	–	Dec Jun			8.11	–
Hernia West I£	††□	43	.....	–	–	–	–	–	–	–
Kalla Mints I£	††	8	14.3	–	–	–	–	–	–	3741
Kenmare	♣□	7	3.7	–	–	–	–	–	–	1463
Mellings Res.		18	.....	–	–	–	–	–	–	–
Nawas Res I£	♣	33	–2.9	–	–	–	–	–	–	1185
5pc Ln Notes		31	10.7	–	–	–	–	–	–	–
Oryx Gold		57	.....	–			–	–	–	3088
Plateau		38	.....	–	–	–	–	–	–	3487
RTZ	□	659	3.6	19.5	1.5	Dec Jul			21.9	3898
Vizcaya	♣□	4	–15.8	–	–	–	–	–	–	4193

GUIDE TO LONDON SHARE SERVICE

Company classifications are based on those used for the FT-Actuaries Indices and FT-Actuaries World Indices.

Closing mid-prices are shown. Prices and net dividends are in pence unless otherwise indicated.

Where stocks are denominated in currencies other than sterling, this is indicated after the name.

Dividend covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses *but including estimated extent of offsettable ACT. Market Capitalisations are* published on Tuesdays-Saturdays except for Investment Trusts and British Funds.

- □ Indicates the most actively traded stocks. This includes UK stocks where transactions and prices are published continuously through the *Stock Exchange Automated Quotation system (SEAQ).*
- ● "Tap Stock"
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ‡‡ Tax-free to non-residents on application
- ♦ Figures or report awaited
- ♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ♣ *Free annual/interim report available, see details below.*
- ✱ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- †† Not officially UK listed; dealings permitted under Rule 535(2)
- # Price at time of suspension
- ¶ Indicated dividend after pending scrip and/or rights issue; cover relates to previous dividend or forecast.
- ♦ Merger bid or reorganisation in progress
- § Forecast dividend; cover based on earnings updated by latest interim statement.
- ♠ Unregulated collective investment scheme.

a Annualised dividend. b Figures based on prospectus or other official estimates. c Cents. f Flat yield. g Assumed dividend. h Assumed dividend after scrip issue. m Interim higher than *previous total.* n Rights issue pending q Earnings based on preliminary figures. s Dividend excludes a special payment. t Indicated dividend: cover relates to previous dividend. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. v *Not subject to ACT.* z Dividend includes a special payment: Cover does not apply to special payment. E Auction basis F Dividend based on prospectus or other official estimates for 1994-95. G Assumed dividend *after pending scrip and/ or rights issue.* H Dividend based on prospectus or other official estimates for 1993. K Dividend based on prospectus or other official estimates for 1992-93 L Estimated annualised dividend, cover based on latest annual earnings. M Dividend based on prospectus or other official estimates for 1993-94. *N Dividend based on* prospectus or other official estimates for 1992. P Figures based on prospectus or other official estimates for 1994. Q Gross. R Forecast annualised dividend, cover based on prospectus or other official estimates. T Figures assumed. W Pro forma figures. Z Dividend total to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1235 a year for each security shown, subject to the Editor's discretion

FT Share Service

The following changes have been made to the FT Share Information Service: Additions: **Mauritius Fund** (Investment Companies). Deletion: **Waverley Cameron** (Packaging Paper & Printing).

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4 pm close February 26

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

1992/93 High	Low	Stock	Div.	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
15 7/8	10 3/4	AAR Corp	0.48	3.9	22	298	12 1/8	12 1/4	12 3/8	+1/8
28 1/2	18	A L Labs A	0.18	0.9	132	616	21 3/8	20 7/8	21 1/8	-1/8
68 3/4	52 5/8	AMP Inc	1.60	2.8	20	686	57 1/8	56 5/8	57 1/8	+3/8
80 1/4	54 3/8	AMR			9	6327	61 1/4	59 3/8	59 7/8	-1
2 1/8	1 3/8	ARX			11	10	1 7/8	1 3/4	1 7/8	
53 1/2	29 7/8	ASA x	2.00	5.5	23	497	36 1/2	35 5/8	36 1/8	-1/8
34 1/4	22 5/8	Abbott Lab	0.60	2.3	17	12736	26 5/8	25 3/4	26 1/4	-3/8
13 7/8	10 1/4	Abitibi Pr	0.50	4.8	3	5	10 1/4	d10 1/4	10 3/8	+1/8
11 5/8	10 1/8	ACM Gvt In	0.96	8.5		298	11 1/4	11 1/8	11 1/4	+1/8
10 3/8	9	ACM GvOpp	0.80	8.4		108	9 1/2	9 3/8	9 1/2	
9 3/4	8 1/2	ACM Gvt Sp	0.79	8.3		160	9 5/8	9 3/8	9 1/2	+1/8
11 3/8	9 7/8	ACM Gvt Su x	0.96	8.8		170	11	10 7/8	10 7/8	-1/8
10 5/8	8 5/8	ACM Man	1.08	10.3		156	10 1/2	10 3/8	10 1/2	
12 7/8	8 5/8	ACM Managd	0.78	8.4		150	9 1/4	9 1/8	9 1/4	+1/8
11 3/4	4 3/4	Acme Cleve	0.40	4.9	17	317	8 1/8	7 3/4	8 1/8	+1/4
9 1/4	3 3/4	Acme Elect			737	39	7 1/2	7 1/4	7 3/8	+1/8
33 1/4	12 1/8	Acuson			11	533	12 3/4	12 1/2	12 3/4	+1/4
22 1/4	16 1/8	Adams Expr	0.48	2.3	1	33	21 1/4	21	21	-1/8
51 1/2	29 1/2	Ad Micro x	3.00	5.9		98	51	50 1/4	50 1/2	+1/4
22 1/2	7 1/2	Ad Micro P	3.00	13.8	8	4347	22 1/4	21 3/4	21 3/4	-1/2
9 1/8	4 7/8	Advest Grp	0.16	2.4	13	288	6 5/8	6 1/2	6 5/8	+1/8
46 1/4	33	Aegon ADR	1.35	2.9	8	8	u46 3/8	46 1/8	46 3/8	+1/2
53 3/4	38	Aetna Lf	2.76	5.6	985	2233	49 1/4	48 5/8	49 1/4	+5/8
14 1/2	8 3/8	Affil A	0.24	2.0	30	611	12 1/2	12 1/8	12 1/8	-1/4
38 1/2	24	Aflac	0.44	1.3	15	781	35 3/4	35	35	-1
22 1/8	13	Ahmanson	0.88	4.2	10	1176	21 1/4	20 5/8	20 3/4	-1/2
22 1/2	4	Aileen Inc			10	138	6 3/8	6 1/4	6 1/4	
49 1/2	38 1/2	Air Pr Chm	0.88	2.0	17	1524	45	44	44	-3/4
29 3/4	12 1/2	Airbne Frt x	0.30	1.3	186	405	22 5/8	22 1/4	22 3/8	-1/8
23 3/4	11 1/4	Airgas Inc			32	102	23 1/8	22 5/8	23 1/8	+1/8
12 3/8	8 1/8	Airlease	1.60	13.8	9	11	11 7/8	11 5/8	11 3/4	
104	99	AlaPw8.16 x	8.16	8.0		z100	103 1/2	103 1/2	102 5/8	
105 1/2	100 1/4	Alab 8.28C x	8.28	7.9		4	u105 1/2	105 1/2	105	-1/2
11 1/4	10 1/4	AlaPwDpPf	0.87	8.5		z100	10 1/8	10 3/8	10 1/4	-1/8
23 7/8	14 3/4	Alaska Air	0.20	1.2	2	252	16 5/8	16 1/4	16 1/2	+1/8
21 1/4	11 1/4	Albany Int	0.35	2.3	137	5	15 1/8	15 1/8	15 1/8	
32	21 1/4	AlCulvr B	0.26	1.0	18	93	25 3/4	25 1/8	25 3/8	-1/4
25 3/4	19 5/8	AlCulvr A	0.26	1.1	18	346	24 7/8	24	24 1/2	+1/2
53 3/8	36 3/4	Albertsons	0.64	1.2	27	2588	51 3/4	50 1/4	51 5/8	+1 1/2
22 3/4	15 1/4	Alcan Alum x	0.30	1.6	32	2098	19 1/4	19	19 1/4	+1/8
42 5/8	33 1/8	Alco Stand x	0.96	2.3	17	881	41 7/8	41 1/2	41 7/8	-1/8
24 5/8	14 5/8	AlexBrown	0.50	2.2	6	936	22 5/8	22 1/8	22 1/2	+1/4
28 7/8	18	Alexr Alex x	1.00	3.8	19	599	26 3/8	25 1/2	26 1/8	+5/8
39 1/2	27 1/2	Allegh Lud x	0.88	2.4	25	448	36 1/2	36 1/8	36 1/2	+1/4
51 3/4	41 1/2	Allegh Pow	3.24	6.3	14	750	51 1/2	51	51 3/8	-1/8
32 1/2	22 3/8	Allen Gp	1.75	5.6		19	31 3/8	31 1/4	31 1/4	-1/4
31 1/2	18 7/8	Allen Con	0.24	0.8	18	185	30 1/2	30	30 1/2	-1/4
27 1/4	20 3/8	Allergan	0.40	1.8	13	2451	22	21 1/2	21 5/8	
42 5/8	28 7/8	Allnce Cap	2.51	6.4	14	158	39	38	39	+1/8
12 1/2	9 1/4	Allnce Gl	0.18	1.8		40	10	9 7/8	9 7/8	-1/8
21 1/4	16 1/4	Ald Irish	0.95	5.4	9	21	17 1/2	17 1/4	17 1/2	+1/2
68 7/8	40 7/8	Alld Sig x	1.16	1.8	17	2898	u67 1/4	65 5/8	65 7/8	-1/2
11 3/8	9 7/8	AlstMunTr	0.78	6.9		345	u11 3/8	11 1/8	11 3/8	+1/8
9 7/8	7 1/2	AlstIncOp	0.63	7.3		314	8 3/4	8 5/8	8 5/8	
10 1/2	8 1/8	AlstMuInc	0.72	7.5		98	9 3/4	9 5/8	9 5/8	+1/8
10 1/4	8 7/8	AlstMuInc	0.60	5.9		70	10 1/8	10	10 1/8	+1/4
50 5/8	34 3/4	Alltel Crp x	1.60	3.4	18	898	47 7/8	47 1/2	47 1/2	-3/8
8 3/8	5	Allwaste			18	757	6 1/8	6	6	

NYSE COMPOSITE PRICES

Continued from previous page

- S -

- T -

- U -

- V -

- W -

- X - Y - Z -

Price data supplied by Telekurs

AMEX COMPOSITE PRICES

4 pm close February 26

NASDAQ NATIONAL MARKET

4 pm close February 26

- A -

- B -

- C -

- D -

- E -

- F -

- G -

- H -

- I -

- J -

- K -

- L -

- M -

- N -

- O -

- P - Q -

- R -

- S -

- T -

- U -

- V -

- W -

- X - Y - Z -

MONDAY INTERVIEW

Poland's reigning queen

Hanna Suchocka, prime minister of Poland, talks to **Anthony Robinson** and **Christopher Bobinski**

Hanna Suchocka, Poland's first woman prime minister, who begins a three-day official visit to Britain tomorrow, is not the first politician to detect the hidden hand of providence behind an unexpected rise to power. But she is hard-pressed to find another explanation behind the telephone call she received last July which led to her appointment to the second most powerful political office in Poland.

Poland was in crisis: the then prime minister designate, Waldemar Pawlak, was unable to form a cabinet and the country's political matchmakers were worried by growing public discontent. Poland's foreign partners were concerned about the outlook for political stability, economic reform and foreign investment.

Bronislaw Geremek, leader of the Democratic Union party, Solidarity veteran and close adviser to President Lech Walesa, and one of the most influential strategists in Polish politics, recognised that Poland needed a new leader, untainted by the endless compromises and intrigue of Polish politics. He remembered Hanna Suchocka, the competent, no-nonsense woman with a brisk but friendly manner with whom he had worked on drawing up the post-communist constitution.

Geremek's telephone call to President Walesa, proposing Suchocka for the prime minister's job, produced a positive response. Another call followed to Suchocka in London, where she was attending a legal conference – and Poland had its first female leader since the Angevin Queen Jadwiga in the 14th century.

Speaking in her newly furnished office in Warsaw's Council of Ministers building, with reproduction Austrian Biedermeir furniture and vases of freesias and chrysanthemums, Suchocka recalled that her first reaction to Geremek's offer was "sheer panic". When she asked whether there were other candidates, she was told that all alternatives had been excluded. "I never had any ambition to become prime minister; at most I thought of a career in an international organisation," she says.

"Maybe it was providence. I certainly don't see myself as a saviour or anything like that. But it happened and somehow a sort of consensus has grown up around me."

After seven tough months as the prime minister of "a very difficult country by tradition and national character", she enjoys a 76 per cent approval rating in opinion polls. Such support helps provide the moral authority needed to preside effectively over a disparate seven-party ruling coalition which does not enjoy a guaranteed majority in the 460-seat Sejm, the lower house of parliament.

Public support also helped to stiffen her resolve through a wave of strikes in the car plants and coalmines just after taking power last summer and a second wave in the Silesian coal mines early this year. She has also survived months of gruelling parliamentary debate as opposition and government MPs alike tried to tack extra spending provisions on to a 1993 budget which the government had to keep within tight limits to gain a $660m stand-by loan from the International Monetary Fund, due to be approved soon.

Last month the government finally managed to garner enough votes from outside the coalition to gain parliamentary approval for the budget as originally proposed.

What clinched the outcome was a threat by Suchocka to resign if the vote went against her and a warning from President Walesa that he would dissolve parliament and hold new elections if the vote led to the government's defeat. The prime minister and president gambled successfully on their hunch that MPs would not have the stomach for fresh elections, which could have led to the downfall of an increasingly popular prime minister.

The upshot is that Suchocka comes to London, where she will address a Polish-UK business conference organised by the Confederation of British Industry as well as meeting John Major, prime minister, with the budget crisis safely behind her. This has opened the way to a new IMF agreement which in turn is linked to future loans from the World Bank and is expected to make Poland more attractive to foreign investors.

Suchocka, who is 46, has not only emerged as one of central

'I certainly don't see myself as a saviour'

Europe's most successful politicians, she is also presiding over growing signs of an economic recovery after three years of recession. Last year the economy stabilised; this year it is expected to grow by between 2 and 3 per cent.

She has established a close working relationship with both former academics such as Jerzy Osiatynski, finance minister, and Jacek Kuron, labour minister, once feared by the communist regime for his close

PERSONAL FILE

1946 Born Pleszew. Graduated with law degree from Poznan University.
1968 Legal counsel to a small business organisation.
1972-92 Law lecturer, Poznan.
1980 Joined Solidarity.
1980 Elected to parliament for Democratic party.
1989 Re-elected to parliament on Solidarity ticket.
1992 Prime minister.

rapport with Poland's militant workers. Suchocka and Kuron, in particular, make an unlikely team. The fast-talking Kuron, with his jeans and cigarette-and-whisky-tainted voice, relishes his rapport with the rather prim prime minister in twinsets and pearls. They co-operate closely in trying to sell the government's "enterprise pact", which offers wage restraint by workers in exchange for more union say in management and the privatisation process.

Fellow politicians say one of Suchocka's strongest points is her ability to address the public in simple, everyday language. "I never use the language of hatred. But that does not mean that I don't sometimes feel the urge to lay into somebody," she says, giving a hint of the underlying tensions in the government.

Andrzej Olechowski, a former finance minister and now an economic adviser to the president, says the prime minister's main qualities are those of a good chairman. She is not a forceful, self-opinionated leader like Lady Thatcher, but a good listener able to reach a consensus and enforce it.

In this she resembles her close friend, Hanna Gronkiewicz-Waltz, chosen as chairman of the Polish central bank by President Walesa 18 months ago. The fact that women head both the government and the most important financial institution in post-communist Poland is without precedent.

Thus far both appointments have turned out well. Thanks to her management skills, Suchocka has managed to keep together a coalition of unlikely political bedfellows: free-market liberals to dyed-in-the-wool Polish nationalists and Catholic fundamentalists. Where she has strong views, Suchocka manages to express them without causing offence.

As a practising Catholic, for example, she holds forceful anti-abortion opinions but managed to distance the government from this divisive issue by insisting that parliament voted freely. As a result, Poland now has a highly restrictive abortion law, but one which stops short of the virtually total ban demanded by the powerful Catholic church.

Her ability to steer the government past potential hazards is helped by the unwillingness of the coalition partners to push their differences to breaking point. Suchocka herself may be popular, but the political parties and the government itself are not.

Ultimately, the secret of her success seems to lie in the way her personality and background as the daughter of a small town pharmacist from Pleszew, western Poland, appear to make her the personification of the desire of millions of Poles to live in a reasonably prosperous, stable and above all "normal" society.

After 60 traumatic years of war, invasion and communist domination, Poles now have the opportunity to forge good relations with their powerful neighbours, Germany and Russia, and return to the mainstream of European culture and trade to which they have always felt they belonged. Strengthening ties with Britain, with its large Anglo-Polish community and wartime alliance, is part of this process.

It is also part of rebuilding Poland as what Suchocka herself defines as "a normal country". This may sound an excessively modest goal in the west, but not to Poles and the citizens of other countries in east and central Europe now spreading their wings after decades of captivity.

Clinton eclipses Republican sun

MICHAEL PROWSE
on
AMERICA

After Franklin Roosevelt defeated Herbert Hoover in 1932, the Democrats controlled the White House for 20 years, created a taste for government activism and permanently altered the social and economic landscape. It is far too soon to argue that President Bill Clinton will have a remotely comparable impact on US politics. But his remarkable personal attributes, coupled with seismic changes in the economic, social and diplomatic environment, suggest American conservatives may face some very lean years.

At times Republicans are confronted by a politician so perfect that he might be an android built in some mad scientist's lab. Mr Clinton has a formidable IQ and a near-photographic memory. Yet he radiates warmth as well as rationality; he understands popular culture (would any Republican leader feel comfortable on stage with Michael Jackson?); and he is a superb communicator. Mr Clinton has a gift for mastering complex subjects and presenting them in simple terms children can grasp. He is equally comfortable delivering a televised address to the nation, debating in a "town-hall" meeting, jousting with journalists or merely chatting with folks at a MacDonald's restaurant.

Who can the Republicans throw into battle against so accomplished a political quarterback? Messrs Robert Dole and Robert Michel, the Republican leaders in the Senate and House of Representatives, are solid, honourable politicians, but they can match neither Mr Clinton's intellect nor his rhetoric. Potential Republican presidential candidates in 1996 are mostly lying low. Among governors, Mr Pete Wilson of California, once highly rated, may have been irretrievably damaged by his state's deep recession and budget crisis. Mr Dick Cheney and Mr Jack Kemp, defence and housing secretaries respectively in President Bush's cabinet, remain well respected. But one wonders how either would measure up against Mr Clinton, whose authority will be steadily enhanced by the pomp and ceremony of office.

Much else is going Mr Clinton's way. The timing of the business cycle is just perfect for the Democrats. George Bush was torpedoed by three years of economic stagnation; Mr Clinton inherits an economy that we now know was growing at an annual rate of almost 5 per cent in the fourth quarter of last year.

Yet the good news is sinking in so slowly that popular opinion will probably associate the recovery with Mr Clinton's economic package. Given the nature of business cycles, the US economy is likely to grow at an annual rate of 3 per cent (perhaps more) for the next few years, almost regardless of the White House's policies. Yet in 1996 Mr Clinton will sound extremely plausible when he claims credit for restoring jobs and prosperity.

The end of the cold war, while welcomed by Republicans, represents another heavy blow to their electoral fortunes. The potential threat from a heavily armed communist foe – an "evil empire" in Ronald Reagan's words – gave American conservatives a sense of unity and purpose. Now that the US is the only military superpower, defence is largely neutralised as a political issue. There has been little public reaction to the very deep real defence cuts proposed by Mr Clinton.

Republicans seem equally vulnerable on social issues. Mr Clinton will undoubtedly propose a comprehensive plan for reforming the flawed health-care system. People will dislike some aspects of the plan, especially the need for new taxes to finance cover for the uninsured, but they will respect him for tackling an issue that Republican presidents dodged for too long. Mr Clinton is also more in tune with changing social mores than his conservative opponents: by being pro abortion and pro gay rights he is moving with the tide of public opinion (especially among the young). The Republican party's ability to adapt flexibly to social change is badly hampered by the growing influence at local level of the fundamentalist Christian right.

As if this were not enough, conservatives have to realise that their political ascendancy during the past 12 years was never quite what it seemed. In the 1980s, Republicans briefly controlled the Senate; but Democrats have enjoyed large majorities in the House of Representatives for four decades. If the nation had really been converted to conservative doctrines in the Reagan years, the Republicans would have won far more Congressional seats.

There is always a chance that Mr Clinton will stumble badly. He could be undermined by a foreign-policy disaster or (less likely) by some unexpected economic setback. But if conservatives want to regain power in 1996, they will have to articulate an agenda for government that competes with Mr Clinton's. This will not be easy, if only because he has appropriated much of their best language – from "empowering" individuals to "reinventing" government.

Mr Clinton is also canny in deliberately framing his policies to appeal to middle-income families, which are far more numerous than the minority groups that monopolised the attention of Democrats during much of the 1970s and 1980s or the rich, who still enjoy disproportionate clout in the Republican party. It all adds up to a challenge of historic proportions for the conservative thinktanks which, at least geographically, still surround the White House.

Leaders versus parties

IAN DAVIDSON
on
EUROPE

Mr Michel Rocard has long been the white hope of a certain free-wheeling school of liberal social democracy in France. So when he launched his proposal for the creation of a broad new centre-left political movement, encompassing socialists, ecologists, reformed communists and moderate liberals, the immediate reaction from rivals and opponents (two categories that include just about all the stars in the French political firmament) was astonishment followed almost immediately by cynical dismissal.

This was just a wily manoeuvre, they said, designed to change the rules of the game in his favour. By calling for the creation of a broad-bottomed movement, he was seeking to enlarge his own constituency as well as making a takeover bid for the ecological vote, which has swelled as fast as the Socialist vote has shrunk.

By criticising the accumulated mistakes of the Socialist party, he was effectively criticising President François Mitterrand, distancing himself from his discredited rivals in the party leadership, and trying to position himself for the presidential election campaign of 1995.

The Rocard proposal is more than clever footwork, however; it may yet start a serious debate on political reform in France, and perhaps in Europe as well.

One reason for the Socialists' decline, according to Mr Rocard, is that they have told too many political lies. In 1981 they promised miraculous economic improvements which were unrealistic; then in 1983 they did a massive U-turn to economic austerity, but tried to hide the fact. A second reason was that many have engaged in wholesale corruption.

But the heart of Mr Rocard's analysis is much more structural than these two factors: traditional socialism no longer corresponds to the modern world. "The very name of socialism was forged in a conception of the world wholly based on production and class relationships . . . We have entered a market society where inequalities appear in many forms, but where the feeling of belonging to a class, to a collective movement, is no longer perceived as a reality."

This explains the rise of the ecological movement, he believes. "When the French can no longer find the springs of their identity in a social class, nor in a religion, nor in a profession, nor in a generation, nor in a level of income, what is left to identify with? What surrounds them immediately: their environment."

The dilemma for a convinced socialist such as Mr Rocard is that he needs, but does not yet have, a new message for the times. Conservatives may delude themselves that this is just a socialist problem, which leaves them free to triumph. In reality, the conservative agenda has been essentially defined for most of this century by and in opposition to socialism. The best ideological hope for conservatives, is that socialists should fail to modernise their message.

The question is, how can the socialists set about modernising their message? In most west European countries politics has been, for several generations, a war of classes, dressed up as a war of doctrines, and organised through a war of parties. As ideological organisations, it is in the nature of parties to resist changes in their doctrines; just look at the British Labour party and its absurd clinging to Clause IV and the idea of nationalisation.

Rocard's implicit answer is threefold: you must break the old party stranglehold of dogma, ritual and faction; you need someone who is above the party, and free from the dogmas, to lead the process of rethinking; and therefore you need to dilute the party into a larger, looser group, under a paramount chief.

Now the French political system may be peculiarly amenable to this strategy of political reform. First, the political spectrum contains enough different parties to permit a flexible choice of groupings.

Second, the lure of the presidency generates a number of potential leaders who are not wholly dependent on their parties; at the moment, there are at least six credible potential candidates for the presidency, three on the left and three on the right; and Rocard is one.

Italy and Britain, which are in even greater need of reform than France, have systems that will make reform more difficult, if not impossible.

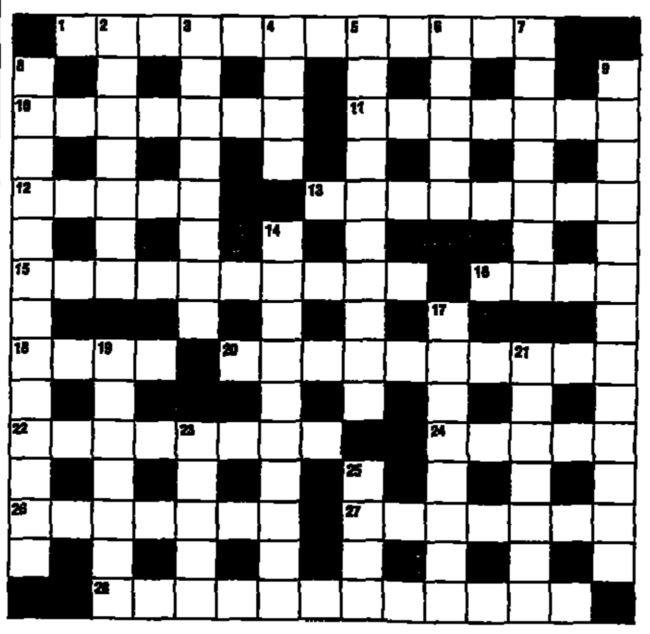
Italians used to claim their PR system gave them "representative" government. However, the parties represented only themselves and their clients. Political decadence has gone so far that the parties are paralysed, except in their resistance to change; their leaderships are largely decapitated. Virtually the last desperate hope for reform is that it will finally come from grassroots referendums.

The British myth is that the voting system provides "strong", therefore good, government. In fact the British system is locked solid by the anachronistic war of the parties; as a result, not merely are there no alternative political leaders who are independent of party, but the leaders in place are the prisoners of their parties. Where the governing party is deeply and irreconcilably split on the most important issue of the day, as it is now, there is no escape from government which is both weak and bad.

In France, some constitutional reforms are already under discussion; the paradox is that these might be good for the quality of ongoing government, but bad for structural political reform. If members of parliament were forbidden to hold a second elective office, parliament might be more effective; but politicians who did not have an alternative power base in a town hall or region would be less independent and more subject to party discipline.

CROSSWORD

No.8,089 Set by QUARK



ACROSS

1 A 10 with wine, gold and royalty? (4,2,6)
10 Wealth? Splendid! (7)
11 Of the side, taller one's in scrum (7)
12 What follows a late night? Story not out (3,2)
13 Items to bear the heat are woven, woolly (8)
15 10 this for the ultimate in sentences (10)
16 Beginning and end of holiday in river/lake resort (4)
18 Duck near English river (4)
20 Space in dishes for steaks etc (5,5)
22 Knocks over, pursues and captures (4,4)
24 Grieve over short time holder of Ashes (5)
26 Luke and Lee playing an instrument (7)
27 10 these block type (7)
28 State 10 yet lacks tail somehow (4,4,4)

DOWN

2 Melodious EP arrangement with a horn? (7)
3 Bird on a lake, a descendant of earth and sky (8)
4 We hear the fruit is unattractive (4)
5 With a bearing, lever manipulated by worker duly? Not half (10)
6 Idea one leaves, being unacceptable (3,2)
7 Listener at party to talk going on and on (7)
8 Genus of ferns: lose crop in mud after storm (13)
9 One can't go off with it (13)
14 One going round being abrasive (5,5)
17 Striking plays with involuntary action (8)
19 Dithers in risky single run (7)
21 Work at university before Easter with plenty of 10? (7)
23 In the valley Welsh live (5)
25 A bit of snow mostly produces a lot of criticism (4)

The solution to last Saturday's prize puzzle will be published with names of winners on Saturday March 13.

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

1/2 hour period ending	Provisional Price for Trading on 28.02.93: Pool purchase price £/MWh	Final Prices for Trading on 31.01.93: Pool purchase price £/MWh	Pool selling price £/MWh
0030	18.35	18.65	18.65
0100	27.05	23.13	24.62
0130	27.05	29.55	31.28
0200	27.05	29.55	31.22
0230	27.03	23.13	24.54
0300	26.28	22.08	23.46
0330	24.66	22.08	23.47
0400	24.66	21.61	22.99
0430	20.77	21.19	22.57
0500	20.77	21.19	22.57
0530	20.30	20.66	22.04
0600	20.30	17.65	17.65
0630	20.30	18.62	19.92
0700	20.30	18.62	19.92
0730	20.30	17.65	17.65
0800	20.30	17.82	17.82
0830	20.30	19.30	19.30
0900	27.00	23.75	25.30
0930	27.00	23.75	25.30
1000	23.16	23.75	25.29
1030	23.16	21.26	22.68
1100	23.61	21.86	23.30
1130	27.03	21.45	22.86
1200	27.03	25.04	26.60
1230	27.03	25.04	26.60
1300	27.03	25.04	26.60
1330	27.00	25.04	26.62
1400	23.61	18.66	18.65
1430	18.61	18.60	18.60
1500	18.26	18.18	18.18
1530	18.26	18.14	18.14
1600	18.14	18.14	18.14
1630	18.14	18.14	18.14
1700	18.35	18.65	18.65
1730	23.61	21.85	23.24
1800	23.61	27.02	28.57
1830	27.03	27.02	28.54
1900	27.03	26.43	27.91
1930	27.05	26.43	27.90
2000	27.06	23.11	24.51
2030	27.00	22.79	24.18
2100	24.30	21.98	23.35
2130	24.30	21.98	23.35
2200	24.30	21.98	23.36
2230	23.63	21.58	22.96
2300	18.26	18.60	18.60
2330	18.08	17.85	17.85
2400	17.64	17.62	17.62

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £16.88/MWh becomes 1.688p/KWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreements which govern the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The calculation of pool prices is a highly complex process the product of which is subject to revision or correction (and sometimes major alterations) until final pool prices are determined approximately twenty-four days after the day of trading. Accordingly, due to the possibility of their revision and/or correction, no reliance should be placed upon provisional pool prices for any day being the same as final pool prices for that day. Final pool prices are also capable of revision. Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements. It is dependent upon the determination of Pool Purchase Price. Further information on pool prices is provided on behalf of the Pool by NGC Settlements Limited. Anyone wishing to receive such information should telephone 0602-458789 between 8.30am and 5.15pm Monday to Friday.

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

1/2 hour period ending	Provisional Price for Trading on 01.03.93: Pool purchase price £/MWh	Final Prices for Trading on 01.02.93: Pool purchase price £/MWh	Pool selling price £/MWh
0030	19.47	18.60	18.60
0100	23.85	24.55	25.88
0130	27.00	24.55	25.84
0200	27.00	24.55	25.80
0230	27.00	22.22	23.35
0300	27.00	22.82	23.97
0330	27.00	22.82	23.98
0400	24.78	18.49	18.49
0430	23.39	18.65	18.65
0500	18.82	18.14	18.14
0530	19.11	17.66	17.66
0600	19.11	17.67	17.67
0630	18.94	17.67	17.67
0700	23.90	21.68	22.84
0730	28.06	22.34	23.51
0800	28.10	24.17	25.41
0830	28.31	24.17	25.41
0900	28.78	24.17	25.41
0930	29.32	26.04	27.35
1000	32.38	26.04	27.34
1030	32.45	26.04	27.32
1100	32.92	26.04	27.29
1130	32.13	25.34	26.57
1200	36.65	25.34	26.58
1230	36.40	25.34	26.58
1300	32.80	24.17	25.38
1330	30.22	24.17	25.37
1400	29.91	23.42	24.60
1430	29.75	23.15	24.33
1500	28.70	19.32	19.32
1530	28.05	19.32	19.32
1600	29.90	23.15	24.33
1630	29.06	24.48	25.69
1700	31.95	30.11	32.10
1730	33.87	32.48	34.73
1800	46.55	32.67	34.79
1830	48.33	30.57	32.26
1900	47.09	28.78	30.02
1930	39.32	28.56	29.79
2000	30.54	25.15	26.31
2030	27.98	24.69	25.86
2100	24.14	23.42	24.56
2130	23.80	22.34	23.46
2200	24.09	21.95	23.06
2230	23.00	21.80	22.92
2300	19.17	18.65	18.65
2330	18.63	18.19	18.19
2400	18.00	17.74	17.74

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £16.88/MWh becomes 1.688p/KWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreements which govern the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The calculation of pool prices is a highly complex process the product of which is subject to revision or correction (and sometimes major alterations) until final pool prices are determined approximately twenty-four days after the day of trading. Accordingly, due to the possibility of their revision and/or correction, no reliance should be placed upon provisional pool prices for any day being the same as final pool prices for that day. Final pool prices are also capable of revision. Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements. It is dependent upon the determination of Pool Purchase Price. Further information on pool prices is provided on behalf of the Pool by NGC Settlements Limited. Anyone wishing to receive such information should telephone 0602-458789 between 8.30am and 5.15pm Monday to Friday.

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